Annual Report 2021

Limeade

Limeade, Inc.
ARBN 637 017 602

Contents

At Limeade,
we transform work
into a source of
positivity, energy,
humanity and
purpose.

Chair and CEO Letter

Shareholders,

We are pleased to present the Annual Report for the financial year ended 31 December 2021 (FY21).

Our Compass Guides our Actions

Limeade is on a mission to transform work into a source of positivity, energy, humanity and purpose. The company and its Board have ratified this purpose and the values and behaviors that support it as our compass. Our compass is informed by Limeade Institute science, and guides our strategy, our investments in human-centric innovation, our TINYpulse acquisition and everything else we do to set the company up for long-term success.

We are grateful to serve millions of people at hundreds of companies in over 100 countries. They use Limeade solutions — Limeade Well-Being, Limeade EX and Limeade Advanced Listening (TINYpulse) — to navigate the intertwined future of life and work. By putting well-being at the heart of the employee experience, Limeade helps reduce burnout and turnover while increasing well-being and engagement — ultimately leading to improved business performance.

Employees who sense care from their companies are four times less likely to burn out and ten times more likely to recommend their company as a great place to work. Limeade is ideally positioned to help companies support employees and their companies in times of change.

Employee engagement is the engine of any company's success.

Well-Being is the fuel.

Limeade Advanced Listening – TINYpulse Acquisition

In July, Limeade acquired Seattle- and Saigon-based employee listening leader TINYpulse for $9.1 million in cash. This strategic acquisition gives Limeade direct access to executive HR buyers at thousands of mid-market and SME customers. It establishes Limeade as perhaps the only company with world-class well-being, employee experience (EX) and listening solutions. Limeade Advanced Listening allows helps company leaders hear the heartbeat of their workforces, discover engagement, inclusion and burnout hotspots – and take focused action with Key Driver Analysis (KDA).

"Listening is the heart of well-being, and well-being is the heart of the employee experience."

– Henry Albrecht

We are pleased with the integration of the acquisition to date. Limeade Advanced Listening (TINYpulse) CARR has grown to $7.3 million, ahead of Limeade expectations at the time the transaction settled. Simply put, it helps us keep our promise to help companies hear more, know more and do more for their people.

Limeade also started offering its flagship Limeade Well-Being solution to mid-market customers with 500 to 5,000 employees, starting in Q4 FY21. Offering our Well-Being, EX and Advanced Listening solutions directly to the mid-market helps increase our total addressable market.

Product and Technology Innovation

- **Real-Time Dashboards** that prove the value of increased company benefit and resource utilization, positive health & well-being trends and more
- **Integrations with Microsoft Viva and Microsoft Teams** that provide refreshing ways to infuse well-being experiences into the flow of work, increasing utilization from new and dynamic interfaces
- **Global Optimization** that makes Limeade Well-Being and EX solutions available in 17 languages for large companies to amplify care from company leaders across their globally distributed workforces

Strengthening our Commitment to Diversity, Equity and Inclusion

Limeade has strengthened its C-Suite, adding Chief Financial Officer Todd Spartz, Chief People Officer Liz Carver, Chief Marketing Officer Dr. Patti Fletcher, among many other moves. We have continued to diversify every part of the company as part of our ongoing commitment to diversity, equity and inclusion. Rare in the technology sector, 50% of the Limeade workforce identify as women.

On behalf of Limeade, we appreciate and thank our valuable employees, our LimeMates, for making a positive difference in our business and in our customers' businesses by delivering healthier employee experiences to millions of people.

Industry Recognition

We were pleased to once again receive industry recognition for our commitment to our workplace. Limeade was certified by Great Place to Work for the fifth time, named one of Washington's 2021 Best Workplaces by the Puget Sound Business Journal for the eighth time and honoured as one of Washington's 2021 Best Companies to Work For by Seattle Business Magazine for the fifth time. By creating a world-class employee experience for its own employees, Limeade is well suited to deliver software that helps other companies create great places to work.

FY21 Results

2021 presented challenges that required both adaptability and resilience. In addition to growing CARR at just 3.3%, the company share price declined 70% from year-end FY20 to year-end FY21. The Board and Company take our shareholders' interests seriously and endeavour each day to strengthen the company's financial performance.

Although COVID-19 continued to cause business challenges in FY21, Limeade has strengthened its team and technology, innovated in its core well-being solution and accelerated growth with solutions for the burgeoning employee experience and employee listening markets.

Our closing Contracted Annual Recurring Revenue (CARR) at FY21 was $56.8 million, 3.3% growth over the prior corresponding period (pcp). We added 8 enterprise customers (>$100k CARR) and 87 mid-market customers (<$100k), ending the year with a total of 832 customers, 91 enterprise and 741 mid-market.

We closed the financial year with $13.9 million cash at bank and no debt (the Company holds a $15 million undrawn debt facility). Our strong financial position allows for further investment into organic and inorganic growth opportunities throughout FY22.

Limeade has significant capacity for growth. We are laser-focused on creating and strengthening the healthy business poised to grow into this massive opportunity.

FY21 Results

In the face of extreme business challenges, the company showed its resilience by meeting all key FY21 financial targets, including:

Revenue of	EBITDA loss of	Net Loss After Tax of
$55.2m	**$7.9m**	**$10m**
versus guidance of **$50-53 million**	versus guidance of **$5-8 million**	versus guidance of **$7-10 million**

Governance

At the Company's 2021 Annual General Meeting on 18 June 2021, Cameron Judson retired as a Non-Executive Director. The company simultaneously appointed Deven Billimoria as Non-Executive Director.

Cameron served as a Non-Executive Director since December 2019, ahead of the Company's IPO on ASX, and was a Member of the Remuneration and Nomination Committee. On behalf of the Board of Directors, we thank Cameron for his service to Limeade and wish him well with his future endeavors.

Deven was the Chief Executive Officer and Managing Director of human resources technology company Smartgroup Limited (ASX:SIQ), retiring in February 2020. He led the company from less than $1 million AUD in revenue in 2002 to $250 million AUD in 2019, with 17 years uninterrupted revenue and earnings growth. The Board has been delighted by Deven's contributions.

Outlook

Limeade continues to deliver software solutions that support remote work, foster employee conversations, create meaningful social connections and promote physical well-being and financial and emotional resilience. We are resolute and committed to transforming work into a source of positivity, energy, humanity and purpose.

Limeade is focused on delivering organic growth in our core North American Well-Being business, creating healthy channel partnerships, accelerating growth in our EX and Advanced Listening businesses, and investing in our pioneering technology platform to reduce customer churn and increase customer value.

We are resolute and committed to transforming work into a source of positivity, energy, humanity and purpose.

Onward,

Elizabeth Bastoni
Chair, Limeade Board of Directors

24 February 2022 (PT)

Henry Albrecht
Limeade CEO

24 February 2022 (PT)

Limeade at a Glance

Limeade is an immersive employee well-being company that creates healthy employee experiences. **Leading industry analyst IDC estimates the global EX market is worth $70.6 billion in 2022 and is growing at 12.5%[1] through 2025.**

Today, millions of users at 800+ companies in 100+ countries use Limeade solutions to navigate the future of work. By putting well-being at the heart of the employee experience, Limeade reduces burnout and turnover while increasing well-being and engagement — ultimately elevating business performance.

Available in 17 languages and counting, Limeade solutions reach employees across a diverse range of industries to help companies *hear more*, *know more* and *do more* to improve the well-being and engagement of their most important assets, their people. Limeade solutions include Limeade Well-Being, Limeade EX and Limeade Advanced Listening (TINYpulse). While serving our primary target market of large enterprise organisations (5,000+ employees) in North America, the EU and beyond, Limeade now also offers its solutions to mid-market customers (500-5,000 employees).

Limeade solutions are a refreshing way to infuse well-being into work — across all levels of an organisation. Through its software-as-a-service (SaaS) solutions, Limeade helps companies better care for their employees, and helps employees care for themselves. Limeade Institute science guides both the best practices we bring to our customers and the development of our industry-leading software. We work every day to deliver value to our customers in the form of employee engagement, retention, productivity, human connection, burnout, HR program and benefit utilization, cost reduction and more.

800+ customers

millions of users in

100+countries

300+ employees

300+ employees in North America (252), EU (17) and APAC (43)

Software-as-a-service (SaaS) business with

94% recurring revenue

Only company with

world-class employee Well-Being

EX and Listening solutions

16 years of experience

— the pioneer of holistic workplace well-being

Limeade is a

remote-first organization

with its physical headquarters in Bellevue, Washington State, US, with offices in Vietnam, Germany and Canada.

FY21 year-end CARR

$56.8 million

Growth in CARR

3.3%

NOTE 1: Total Available Market (TAM) estimate is based on IDC report "Worldwide and U.S. Employee Experience Software and Services Forecast, 2021–2025," dated July 2021. Their definition of EX is "survey feedback/measurement and recognition and well-being (including mental, physical, and financial well-being)." For a more detailed and updated TAM analysis using substantially the same methodology as the Limeade 2019 IPO prospectus, please contact Limeade Investor Relations and request "Limeade Independent Expert Report 2022: Employee Experience (EX) Software Solutions."

Industry Drivers for Change

1. HR and Benefits leaders want to drive essential health and well-being benefits to the right people at the right time. Promoting all company programs with relevant and personalized communications, nudges and activities helps amplify care from leaders and reach employees where they are. It also maximizes ROI on company spending on programs for primary care, vaccinations, biometric screenings, mental health counseling, musculoskeletal health, diabetes management, safety, maternal health, resilience training and dozens more

2. Employees want to improve their emotional health in trying times. Limeade helps people in times of need with personalized, modern, multimedia activities and content -- including integration with nearly 100 other apps, devices and partner tools -- to improve physical, emotional, financial and work well-being

3. Company leaders want to listen to their hard-to-reach (often global) workforces, and act on what they hear. Science-based surveys covering essential topics of well-being and engagement from the Limeade Institute, plus quizzes, pulses and polls help HR, benefits and company leaders hear more, know more and do more to retain, engage and inspire talent in a brutally challenging labor market

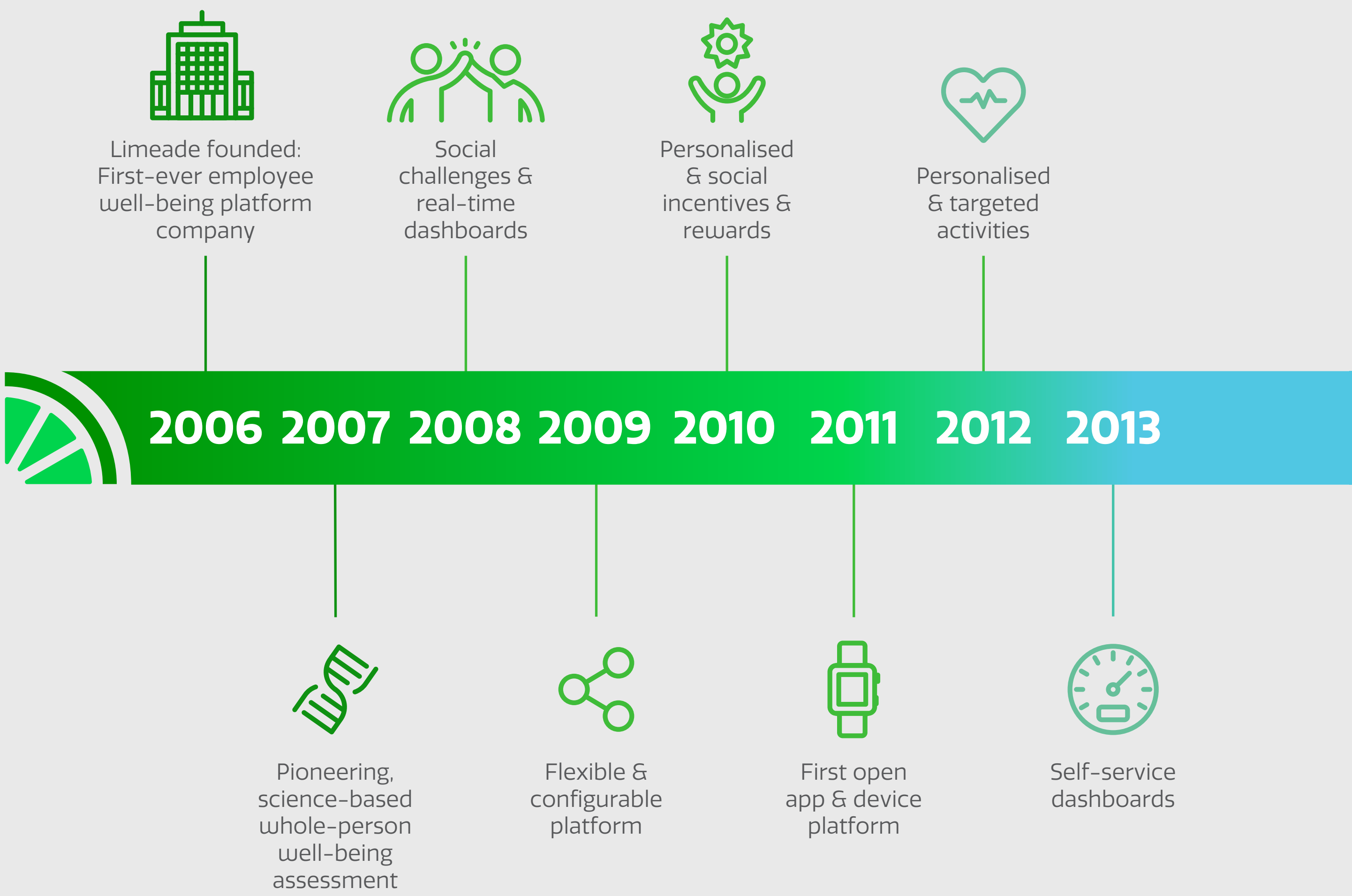
4. HR and Benefits leaders need a highly flexible platform to reflect their strategy, brand, culture, workforce demographics, HR & benefits ecosystems and more. Unlike canned and stale "wellness programs," flexible Limeade technology combined with industry best practices from purpose-driven people (LimeMates) help deliver tailored and healthy employee experiences for every company

5. Employees want to feel heard, recognized and rewarded. In a tumultuous time, employees want to receive cheers tied to company values and get financial rewards & recognition for looking out for their own well-being. This requires hyper-flexible incentive technology, including integration with other HR systems

6. Employees need to feel socially connected to each other -- and to their companies. Employee energy and care resonates in Employee Resource Groups (ERG), well-being champion networks and social challenges. Employees stay informed, aligned and inspired with a lively company communications feed

7. IT Departments want seamless, consumer-grade experiences across a wide ecosystem of applications, tools and platforms. They demand vendors like Limeade to be interoperable, secure, safe, private and integrated into the flow of work for the employees they serve. They need integrative platforms to connect related experiences -- like well-being, benefits navigation, employee listening, social connection, recognition and daily work

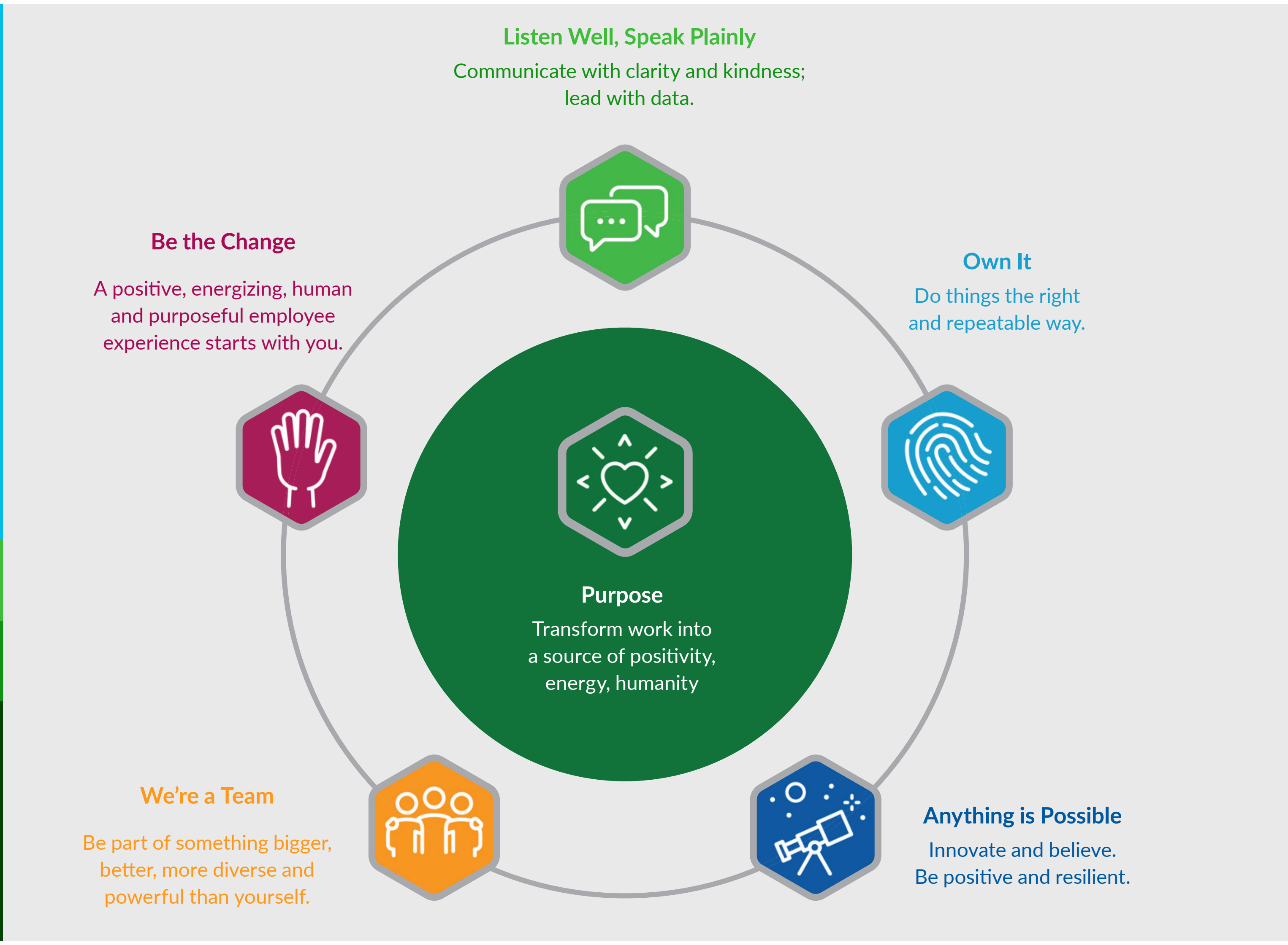
A History of Success



- **2014** — Flexible rewards
- **2015** — iOS app & machine learning recommendations
- **2016** — Limeade Institute formalised, partner network & APIs
- **2017** — Global translations & mobile-first design
- **2018** — Acquired Sitrion, EU & Canada offices, added inclusion
- **2019** — ASX IPO, Science of Care, new Board
- **2020** — Cash-flow positive, Forrester EX "Strong Performer"
- **2021** — Acquired TINYpulse, Microsoft Viva integration, serve the mid-market
- **2022** — 17 languages & counting, Microsoft Teams integration, new value dashboards

Environment, Social and Governance (ESG) at LIMEADE

Limeade has physical operations in the United States, Canada, Germany, Switzerland, Australia, and Vietnam. Our ESG report highlights how our Company shows care for our employees, customers, shareholders, community and the broader communities we serve across the world.



Intentional, Values-Based Culture

At Limeade, our purpose and values guide our actions every day and help point us in the right direction. Our compass is a clear guide for why we do what we do and how we will get there. Our compass is also at the heart of our most important strategic decisions.

Our dedicated and diverse employees, LimeMates, are the foundation of our success. We have a highly intentional culture that provides opportunities for professional and personal growth.

LimeMates bring a wide variety of skills, values, experiences, backgrounds and attributes to the company. We embrace a workforce diverse in gender, age, physical ability, race, ethnicity, marital or family status, religion, cultural or socioeconomic background, sexual orientation, perspective and experience.

50% men / 50% women

Inclusion and belonging go hand-in-hand with whole-person well-being. Inclusion and belonging at Limeade is grounded in welcoming, accepting and embracing all aspects of our employees' lives – from their physical, emotional, financial and work well-being to how they learn, grow, perform and are recognized and compensated. We're committed to an environment where employees can do their best work.

Limeade employed 300+ employees as at 31 December 2021, 20% more than the prior corresponding period.

The majority of LimeMates are full-time employees. Limeade also employs a small number of contract employees and third-party contractors to assist the Company in the achievement of its strategic objectives.

One of the many ways we actively provide support and show a commitment to infusing care into our inclusive, employee-first culture is through our robust employee resource groups (ERGs).

The Kaleidoscope Council is our internal diversity and inclusion council formed by volunteer LimeMates. The mission of the Kaleidoscope Council is to drive intentional action on topics related to Diversity, Equity and Inclusion, including the sponsorship of popular Limeade ERGs: Limeade Womxn, Developing Professionals, BLKQ (Black LimeMate Kings & Queens — pronounced "black"), Working Parents & Caregivers, Limeade Interfaith and Limeade Global Employees.

Limeade Womxn, for example, advocates for empowering employees in work and life and actively engages women in our company's present and future. The members of Limeade Womxn improve equity, equality and whole-person care at work. In addition to upholding the core Limeade values, Limeade Womxn aims to:

- Connect LimeMates of all gender identities to a vast network of support for professional and personal development
- Explore key social, political and economic themes and how they impact a variety of individuals and groups in the workplace
- Improve the Limeade culture by challenging all LimeMates and the company itself to firmly subscribe to the belief that Anything is Possible

TeamLimeade is our own internal version of our Limeade Well-Being, EX and Advanced Listening (TINYpulse) solutions. We strive to make our internal product and technology experience the gold standard, and routinely achieve a 100th percentile rank in our book of business for Daily Active Users (DAU) and other metrics.

We use TeamLimeade to *hear more*, *know more* and *do more for our people*. We measure employee engagement, well-being and inclusion – and, more importantly, *drive action* for employees, managers and leaders to achieve the people and business results we seek. We also use TeamLimeade to onboard employees, share essential business updates, deliver e-learning modules, sponsor volunteering events, deliver rewards and recognition and provide integrated access to employee benefits.

LIMEADE GLOBAL ERG

Developing PROFESSIONALS

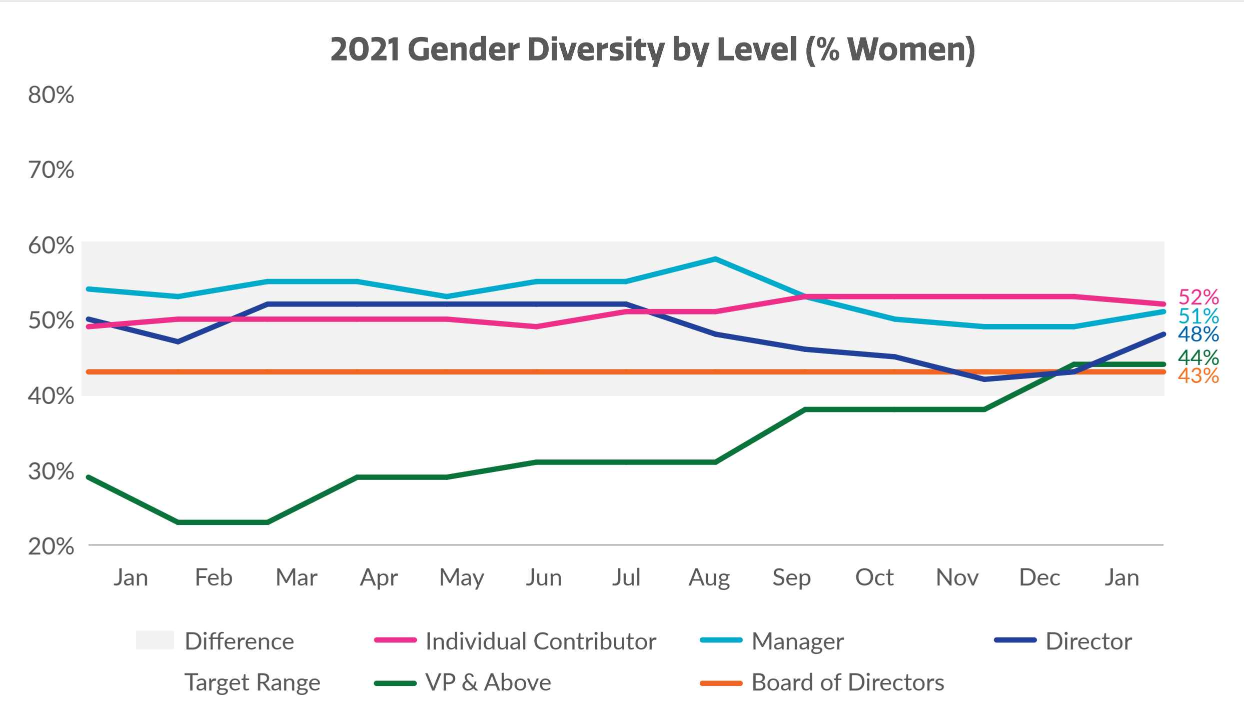
B.L.K.Q BLACK LIMEMATES KINGS & QUEENS

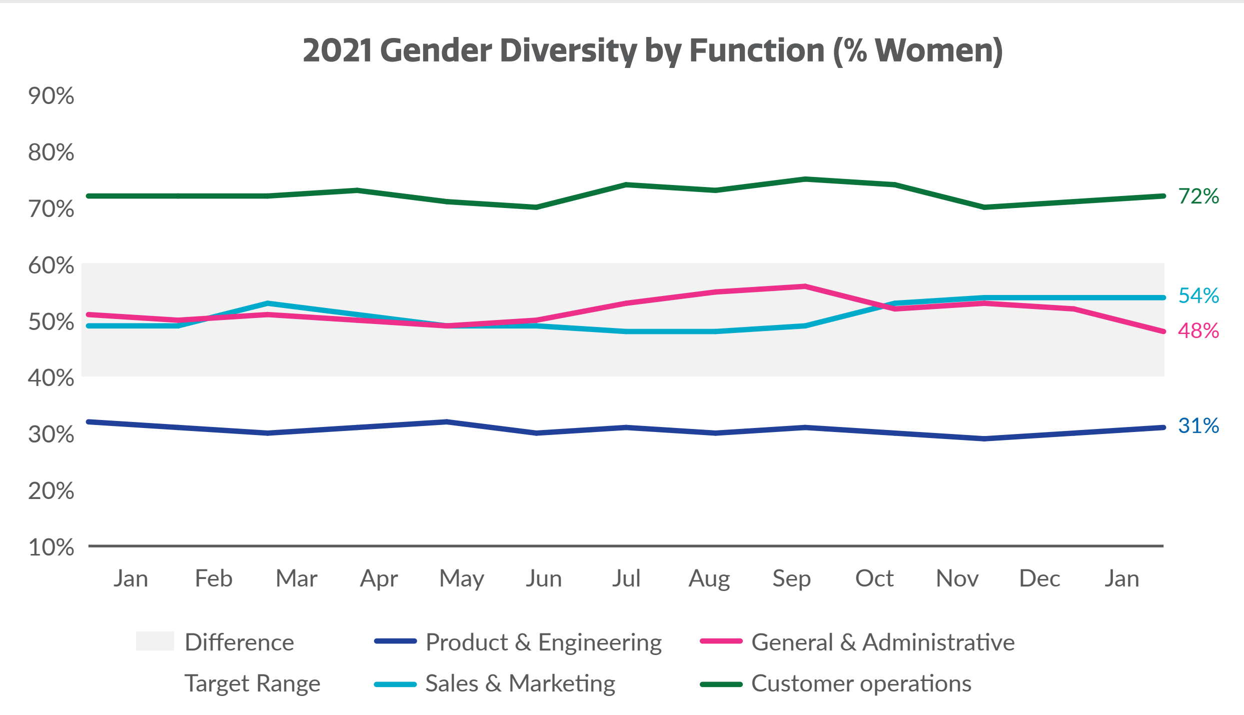
LIMEADE WOMXN

WORKING PARENTS & CAREGIVERS

limeade INTERFAITH Employee Resource Group

Environment, Social and Governance (ESG) at LIMEADE



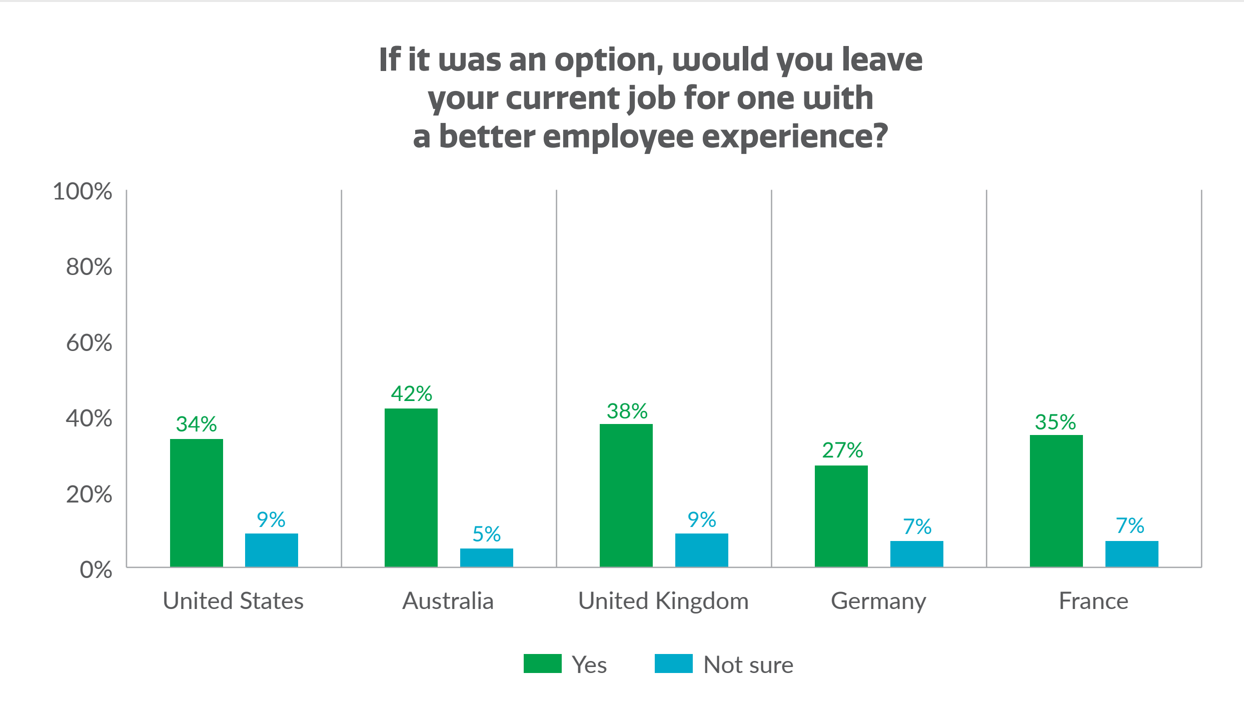


Limeade Institute Science

The Limeade Institute publishes cutting-edge research on well-being, employee engagement, inclusion, burnout, turnover and more, delivering science-based points-of-view that shape industry standards. The Limeade Institute translates research into strategies and product enhancements that deliver new ways to improve the employee experience for our customers and their employees.

Global Report **on Employee Experience**

Based on a sample of 4,553 full-time employees over the age of 18, representing five countries, Limeade found the importance of a good employee experience to employee retention.



Environment, Social and Governance (ESG) at LIMEADE

Limeade

The Great Resignation Update: Key Takeaways

1. **40% of employees cited burnout as a top reason for leaving.** Employees were so dissatisfied with their situation that more than one-quarter **(28%) of all respondents** left their jobs without another job lined up.

2. **Employees were primarily attracted to their current job based on the ability to work remotely (40%) and other forms of flexibility.** An additional **24% reported** not being restricted to complete job responsibilities during set working hours as a top attraction.

3. Job changers are generally happy they made the switch to a new role. On average, respondents reported a **22% boost in feeling cared for** as an individual by their new employer and a **22% improvement in comfort** regarding disclosing a mental health condition compared with how they felt at their previous employer.

Board of Directors

The Board considers that it has the necessary knowledge to identify the skills missing and required to complement the Board composition. The Directors of Limeade each bring rich network of contacts, diverse and extensive industry expertise, global business knowledge, financial management, and deep corporate governance experience to ensure that it can carry out its obligations in accordance with its Charter and the requirements of good governance.

During the year, the Board completed a Board skills matrix that sets out the mix of skills and diversity that the board currently has or is looking to achieve in its membership. This is available within the Corporate Governance Section of our website. The current Board is made up of members with a broad range of skills, expertise and experience and from a diverse range of backgrounds.

Ethics and Responsibility

All Limeade stakeholders have increasing expectations about how we minimize our impact on the environment and how we continue to be a respected corporate citizen and make improvements over time. Limeade takes its responsibility as a corporate citizen very seriously. Beyond operating according to legal requirements, we remain committed to instilling and continually reinforcing the high standards of a responsible and ethical culture in our Limeade Code of Conduct policy. We are steadfast in doing the right thing by all our stakeholders and in the communities in which we operate.

This Code of Conduct policy applies to all Directors and employees of the Company, and where relevant and to the extent possible, consultants and contractors of the Company. These standards are reflected in our values, which are published on our website. Limeade expects all employees and third parties to commit to upholding values, which include but go beyond compliance with laws and regulations and are consistent with the reasonable expectations of investors and the broader community.

The Limeade Anti-Bribery and Corruption Policy strictly prohibits the offer, provision or acceptance of Bribes. The Company has zero tolerance for bribery and corruption and is committed to ensuring the Limeade corporate culture actively discourages corrupt conduct in the strongest possible terms.

Limeade is committed to lawful and ethical behavior in all its activities and has adopted a Whistleblower Policy to encourage employees to raise any concerns and report instances of illegal or unethical behavior without fear of reprisal. This policy establishes mechanisms and procedures for employees to report unethical or illegal conduct in a manner that protects the individual and provides the necessary information for Limeade to investigate the report and act appropriately.

Limeade prohibits and will not tolerate any retaliation against a Whistleblower. This means that the employee will not be discharged, demoted, threatened or harassed, or otherwise discriminated against in any way with respect to compensation, promotion, work assignments, or any other terms, conditions or privileges of employment at Limeade for raising legitimate concerns under this policy.

Corporate Social Responsibility

At Limeade we believe good Corporate Social Responsibility is beneficial to our business and all our stakeholders. We contribute actively to the economic, social and environmental well-being of our communities.

Limeade and its CEO, Henry Albrecht, founded Limeade CARES LIMEADE CARES in 2019, inspired by Limeade Institute research on the importance of purpose at work, purpose in life and concern for others as good for both individual and collective well-being.

Limeade is committed to supporting charitable causes within the community in which we operate, and also across the globe. In 2021 Limeade and LimeMates made 1,356 individual donations to 324 non-profits across 39 different states and 7 countries.

Remuneration

The remuneration policies of Limeade are designed to attract, retain and motivate senior managers and employees who are integral to the long-term growth and success of the business.

Limeade rewards employees through cash and non-cash incentives for meeting or exceeding individual and corporate performance indicators, depending on role. The Company offers competitive pay and differentiating benefits for its valuable employees, including flexible work schedules, remote-first work and generous leave policies.

We are pleased this year to provide investors with our remuneration report, which sets out our policies on executive remuneration and details the short- and long-term remuneration arrangements for Limeade key management personnel (KMP), the CEO and Non-Executive Directors (NEDs).

Occupational Health and Safety

Limeade is committed to maintaining a safe and healthy workplace for all our employees. Our Occupational Health and Safety (OH&S) policies and procedures are reviewed at least annually, and all new employees to the organization are required to familiarize themselves with these practices. The prevention of occupational illness and injury across our global workforce is a priority for the Limeade leadership team. During the 2021 financial year, not a single workplace related injury occurred at any of the Company's offices across the globe.

Environment

As a technology-based software-as-a-service (SaaS) organization, the direct Limeade environmental footprint is minimal, consisting predominately of the energy consumed by our various offices, third-party cloud-based computing datacenters and the typical consumables of an office-based business, including travel and paper, carboard and plastic waste.

Within each of the Limeade offices, employees are encouraged to recycle paper, cardboard and plastic waste through dedicated collection points throughout the office. In addition, Limeade has implemented sustainability guidelines with our merchandise vendors to provide recyclable or sustainable rewards to our employees.

Limeade also considers environmental sustainability in its office rental decisions. Our largest office, our headquarters office in Bellevue, Washington, is Leadership in Energy and Environmental Design (LEED) Platinum certified. We use the Limeade platform to promote environmental sustainability both at Limeade and for our customers.

Environment, Social and Governance (ESG) at LIMEADE

Limeade is a remote-first global employer. We extensively use videoconferencing and other technologies to minimize travel. We continue to see reductions in the Company's annual travel expenditure and environmental footprint.

At Limeade, our environmental practices are reviewed at least annually, and we always recognize the need for continued improvement in our environmental practices.

Privacy and Security

PPrivacy and security are enormously important at Limeade. Limeade has achieved GDPR and Privacy Shield compliance, as well as compliance with HIPAA, GINA, COBRA and other US and international governance requirements. The Company employs internal and external Information Security professionals who produce reports presented regularly to the Limeade Board of Directors.

Limeade proactively considers data security risks and has an Information Security Council that meets regularly to discuss new developments and ways to improve awareness and security. Limeade is acutely aware of the constant threat cyberattacks pose to Limeade and to its customers and actively engages with its customers to understand and address their unique privacy and cybersecurity frameworks. Limeade continues to prioritize security-related R&D across its offerings to protect itself and its customers.

Additionally, Limeade receives an annual data management and protection audit (SOC2) by a third-party firm. The audit did not identify any areas of concern during the reporting period.

Limeade is committed to ensuring it has the right policies, procedures and risk infrastructure in place to mitigate cybersecurity risk for itself and its customers. The Company continually updates new security measures to protect against unauthorized access or disclosure of confidential or other proprietary information.

The Company is insured against certain cyber risk and security incidents. In August 2021, a single Limeade user reported that one of the data controls in the service may not have been operating correctly. Upon investigation, Limeade found a software bug that caused some Limeade trackable activities that were set as "only me" to in fact be viewable by other users from within the same organization who joined the same activity. The bug impacted web and mobile web experiences. Limeade fixed it within a few hours, reported the bug to all customers, and made a report to the U.S. Department of Health and Human Services on behalf those customers who requested that Limeade do so.

Governance

The Limeade Board is committed to strong and effective governance. The Board of Directors are responsible for ensuring that Limeade has an appropriate corporate governance framework in place to ensure the creation, protection and building of long-term stakeholder value.

This year Limeade adopted and substantially complies with the *ASX Corporate Governance Principles and Recommendations* (*4^{th} Edition*). The 2021 Corporate Governance Statement along with copies of all Board Charters and Policies can be found on the Limeade website at https://investors.limeade.com/investor-relations/.

The Limeade Board maintains oversight of compliance with all company policies. All breaches that are considered material in nature are required to be reported to the Board, who will monitor the handling and outcomes of these breaches. All Company Charters and Policies are reviewed at least annually to ensure they are still appropriate for the current legal, ethical and governance environment.

Risk Management

Risk recognition and management are integral to the Company and its objectives. The Limeade Board is responsible for risk oversight. The effectiveness of the Company's risk management system is reviewed at least once each reporting period.

The Limeade Risk Management Policy was adopted to ensure appropriate systems are in place to identify to the extent reasonably practicable all material risks that may impact the Company's business.

Specifically, Limeade ensures the financial and non-financial impact of identified risks is understood and that appropriate internal control systems are in place to limit the Company's exposure to such risks. Appropriate responsibilities are then delegated to control the identified risks effectively and any material changes to the Company's risk profile are disclosed in accordance with the Company's Continuous Disclosure Policy.

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Directors' Report

Limeade, Inc.
ARBN 637 017 602

Directors' Report

for the year ended 31 December 2021

The Directors present their report on the consolidated entity (referred to as "the Group") consisting of Limeade, Inc. and the entities it controlled at the end of, or during, the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES AND REVIEW OF THE PERFORMANCE OF THE BUSINESS DURING THE FINANCIAL YEAR.

The principal activity of Limeade, Inc. is the development and sale of enterprise well-being, employee experience and listening software. On 20 December 2019 Limeade, Inc. listed on the Australian Securities Exchange (ASX) by means of issuing CHESS Depositary Interests (CDIs).

Limeade is an immersive employee well-being company that creates healthy employee experiences. Limeade Institute science guides its industry-leading software and its own award-winning culture. Today, millions of users in over 100 countries use Limeade solutions to navigate the future of work. By putting well-being at the heart of the employee experience, Limeade reduces burnout and turnover while increasing well-being and engagement — ultimately elevating business performance.

BUSINESS SUMMARY AND KEY PERFORMANCE INDICATORS

The key performance indicators of the financial results are as follows:

- Recorded revenues of $55.2 million for the year ended 31 December 2021 compared to revenues of $56.6 million for the year ended 31 December 2020
- Recorded gross margins of 76% for the year ended 31 December 2021 compared to 78% for the year ended 31 December 2020
- The net loss after tax for the year ended 31 December 2021 is $10 million compared to a loss of $0.3 million for the year ended 31 December 2020
- The net cash provided by operating activities for year ended 31 December 2021 is -$4.6 million compared to $3.8 million for the year ended 31 December 2020

The 2021 financial year for Limeade continued to present persistent headwinds associated with the COVID-19 pandemic and the return to normal business activity. This global uncertainty did continue to impact enterprise budgeting and decision-making processes, which has impacted overall growth in CARR and recorded revenues.

However, Limeade met its financial guidance for revenue, EBITDA and net loss after tax expectations for the year ended 31 December 2021.

Limeade expenditures in sales and marketing decreased 5% from $17.8 million for the year ended 31 December 2020 to $17.0 million for the year ended 31 December 2021.

Investment into the Limeade platform and acquisition of the TINYpulse R&D center in Vietnam resulted in an increase of research and development expense, which grew 21% from $16.8 million for the year ended 31 December 2020 to $20.3 million for the year ended 31 December 2021.

During the year, the Company released new features and content to support employee well-being, engagement and inclusion. Additionally, product teams delivered key platform upgrades and global support capabilities. New capabilities focused on reaching dispersed and global workforces, employee listening (via TINYpulse acquisition), recognition and more. Limeade also delivered additional key partnerships highlighted by the Microsoft Viva and Teams integrations, whereby Limeade will deliver its solutions to users of market-leading Microsoft technology platforms.

The cash balance was $13.9 million at 31 December 2021 with no debt compared to a $31.5 million cash balance at 31 December 2020 with no debt. The reduction in cash was driven largely by the acquisition of TINYpulse, which included a $8.9 million upfront cash payment.

Limeade continues to manage cash that will be used for future organic and inorganic growth opportunities.

Directors' Report

for the year ended 31 December 2021

Directors and Secretary

Board of Directors
Elizabeth Bastoni, Chair
Lisa MacCallum
Chris Ackerley
Henry Albrecht
Steve Hamerslag
Mia Mends
Deven Billimoria (appointed 18 June 2021)
Cameron Judson (retired 18 June 2021)

> The Limeade Board and management team maintain high standards of corporate governance as part of our commitment to maximize shareholder value through effective strategic planning, risk management, transparency and corporate social responsibility.

Audit & Risk Management Committee
Chris Ackerley, Chair
Steve Hamerslag
Deven Billimoria (appointed 18 June 2021)
Lisa MacCallum (resigned 18 June 2021)

Remuneration & Nomination Committee
Elizabeth Bastoni, Chair
Mia Mends
Lisa MacCallum (appointed 18 June 2021)
Cameron Judson (retired 18 June 2021)

Company Secretary
Sarah Visbeek (appointed 13 Dec 2021)
Todd Spartz (resigned 13 Dec 2021)
Todd Spartz (appointed 24 May 2021)
Scott Fletcher (resigned 24 May 2021)

Information on Directors

1. Elizabeth Bastoni

Chair, Non-executive Director

Based in Seattle, Elizabeth joined the Limeade Board in December 2019. Elizabeth is an experienced board member and executive with over 30 years of experience working in executive compensation, CEO succession, talent development, change management, acquisitions and tax, and brings a broad perspective from diverse businesses and cultural environments in privately held, publicly traded, government-owned and not-for-profit organisations in North America, Asia and Europe.

Elizabeth currently holds board roles with France-based Société Bic, which had sales of approximately €1.6 billion in 2020, and Portugal based Jerónimo Martins, which had sales of approximately €19 billion in 2020. Elizabeth has also previously held a range of other board roles in Europe. Prior to this, Elizabeth served in executive leadership positions at a number of large-scale, global organisations including Carlson, The Coca-Cola Company, Thales, Suez Environment and KPMG.

Elizabeth holds a BA degree with a concentration in Accounting from Providence College, Rhode Island. She has a degree from Paris Sorbonne Université (Paris IV) in French Civilization and studied Art History at the Ecole du Louvre in Paris.

2. Henry Albrecht

Chief Executive Officer, Executive Director

Based in Seattle, Henry has led Limeade as CEO since 2006 and joined the Limeade Board in 2006. Henry has over two decades of senior management experience in the software industry.

Prior to founding Limeade, Henry served as VP of Product Management at Bocada, an enterprise software company. He was a product, brand and business manager at Intuit, a financial software vendor, where he launched several successful new businesses.

Henry holds an MBA from Northwestern's Kellogg School of Management with an emphasis in technology and marketing and a BA in economics and literature with honours from Claremont McKenna College.

3. Steve Hamerslag

Non-executive Director

Based in San Diego, Steve joined the Limeade Board in 2012. Steve has over 34 years' experience starting, growing and leading high tech enterprises. His knowledge of enterprise technology solutions is further leveraged by his extensive sales, marketing and general management experience, having started and acted as CEO of two publicly held companies.

Steve is a Managing Director and co-founder of TVC Capital. Prior to founding TVC Capital, Steve was President and CEO of J2 Global Communications, a provider of communication services, and founded MTI Technology, a provider of enterprise storage solutions.

Steve was recognized as the Ernst and Young National Entrepreneur of the Year and the Orange County High Technology Entrepreneur of the Year. Steve is on the board of directors of publicly held CorVel Corporation (NASDAQ: CRVL) as well as privately held LiquidPlanner, Celigo, BitTitan, Perspectium and CreatorIQ.

Mr. Hamerslag holds a BA in Economics from the University of California, Berkeley.

4. Chris Ackerley

Non-executive Director

Based in Seattle, Chris joined the Limeade Board in 2007. Chris has over 20 years' experience both as a board member and in managing enterprises across the media, entertainment and investment sectors.

Chris is a co-founder and Managing Director of Ackerley Partners, a private investment company focused on the media and entertainment sectors. Prior to this, Chris served in a variety of roles, including as President and Director for over 15 years at The Ackerley Group, where he oversaw the daily operations of the national media and entertainment company and ultimately successfully led the merger of the business with Clear Channel Communications. Through Ackerley Partners, LLC, Chris has completed portfolio company dispositions to enterprises including Amazon, Paramount, CBS and Yahoo.

Chris currently serves on a number of boards including Washington Trust Bank, The Four Seasons Hotel & Residences (Seattle), Concure Oncology, Solius and Space Needle Corporation. Chris holds a BA in Political Science from the University of Arizona.

5. Mia Mends

Non-executive Director

Based in Houston, Mia joined the Limeade Board in December 2019. Mia has over 20 years' experience working in marketing and employee benefits.

Mia is currently CEO, Impact Ventures, Sodexo North America & Global Chief Diversity, Equity & Inclusion Officer of Sodexo, one of the world's largest multinational corporations where she is responsible for driving critical initiatives in support of global growth goals. Mia previously held a number of executive roles with Sodexo, including Chief Administrative Officer, Sodexo and SodexoMAGICand CEO of Inspirus. Mia has also served in executive roles at Noventis (formerly PreCash) and United Airlines Loyalty Services.

Mia co-founded the organization Seven Sisters to Sisters and serves on the boards of Girls Inc. and EMERGE, a nationally-recognised program that helps first-generation and low-income students attend and graduate from top colleges and universities. Mia holds an MBA from Harvard Business School and a BA in Economics from Wellesley College.

6. Lisa MacCallum

Non-executive Director

Based in Melbourne, Lisa joined the Board in December 2019. Lisa has worked for over 20 years across a range of sectors including consumer goods, media and education, telecommunications and international development.

Lisa is the founder of Inspired Companies, a brand strategy and purposeful business focused enterprise. Before this, Lisa served at Nike for 13 years, including in executive and leadership roles in commercial and brand strategy and as VP of Nike's Corporate Philanthropy and Global Community Investments. Prior to joining Nike, Lisa co-founded a Tokyo-based multi-media and executive education company, Business Breakthrough, Inc.

Lisa is a non-executive Director of Bond University Australia Limited, a Global Ambassador for World Benchmarking Alliance for the United Nations Sustainable Development Goal and served on the board of British Telecom Committee for Sustainable Business.

Lisa has completed studies at Bond University, Harvard Business School and Oxford University.

7. Deven Billimoria

Non-executive Director (appointed 18 June 2021)

Based in Sydney, Deven joined the Board in June 2021.

Deven was the former Chief Executive Officer and Managing Director of Smartgroup Limited (ASX:SIQ) and its predecessor Smartsalary Pty Limited, retiring in February 2020. He led company growth from less than A$1 million in revenue in 2002 to A$250 million in 2019, with 17 years uninterrupted revenue and earnings growth.

Mr. Billimoria holds a Bachelor of Science in Mechanical Engineering from the University of California, Los Angeles and an MBA from the Kellogg School of Management at Northwestern University.

Cameron Judson

Non-executive Director (retired 18 June 2021)

Based in Sydney, Cameron joined the Board in December 2019 and retired in June 2021. Cameron is an experienced board member and executive with over 30 years of experience across a range of industries including HR, real estate and logistics.

Most recently, Cameron held CEO roles with ASX-listed McGrath Estate Agents and Chandler Macleod Group. Prior to these roles, he held a range of leadership roles with Chandler Macleod, UTC Fire & Security and TNT. Cameron currently serves on the board of QANTM IP and is a member of the Australian Institute of Company Directors. He holds an MBA from the Australian Graduate School of Management and a Bachelor of Arts from UNSW.

DIRECTORS' INTERESTS

The Directors who held office at the end of the year had the following interests at the end of the financial year, 31 December 2021.

	Securities Held as at the Reporting Date	Options held as at the Reporting Date
Elizabeth Bastoni	–	–
Henry Albrecht	40,311,485	2,425,000
Chris Ackerley[1]	4,116,360	660,000
Steve Hamerslag[2]	–	–
Lisa MacCallum	–	–
Mia Mends	–	–
Deven Billimoria (appointed 18 June 2021)[3]	239,398	
Cameron Judson (retired 18 June 2021)	–	–

1. Chris' holdings include Securities held by Chris personally, and Securities held by Chris and his spouse, Diana, jointly.
2. Steve does not have a direct interest in Securities, however he is a Managing Partner of TVC Capital which manages TVC Capital II LP (which holds 35,618,770 at 31 December 2021) and may indirectly benefit economically from those activities. He may also indirectly benefit from TVC Capital's holding of 1,039,512 Securities (at 31 December 2021).
3. Deven does not have a direct interest in Securities. Deven's relevant interest arises due to his relationship with the trustees, Angie Pinto and Douglas Pinto the registered holder being Angie Pinto and Douglas Pinto ATF Singalila Family Trust holding 239,398 Securities at 31 December 2021.

DIRECTOR REMUNERATION

Under Limeade Bylaws, the Board may decide the total amount paid to each non-executive Director as remuneration for their services. However, under the ASX Listing Rules, the total amount paid to all non-executive Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by Limeade's general meeting. This amount has been fixed at $650,000 per annum. Any increase to the aggregate amount will be approved by Shareholders.

This aggregate annual sum does not include any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of Limeade, which may be made in addition to or in substitution for the Director's fees.

The Directors' fees currently agreed to be paid by Limeade for the year ending 31 December 2021 are as set out below.

Director	Annual cash Director's Fees
Elizabeth Bastoni	$110,000
Cameron Judson (retired 18 June 2021)	$70,000
Lisa MacCallum	$70,000
Chris Ackerley	NIL
Henry Albrecht	NIL
Steve Hamerslag	NIL
Mia Mends	$70,000
Deven Billimoria (appointed 18 June 2021)	$70,000

In addition, the Chair of the Audit and Risk Management Committee and the Chair of the Remuneration and Nomination Committee will each receive $10,000 per annum, and each other member of those committees will receive $5,000 per annum, for their service on those committees. All non-executive Directors' fees are inclusive of superannuation contributions where required by law.

OTHER INFORMATION ABOUT DIRECTORS' INTERESTS AND BENEFITS

Directors may be reimbursed for travel and other expenses incurred in attending to Limeade business affairs, including attending and returning from meetings of the Board or committees of the Board or general meetings. Any Director who devotes special attention to the business of Limeade or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of Limeade. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions as applicable.

AUDITORS

The included 2021 Consolidated Financial Statements and Notes have been audited by Deloitte & Touche LLP with an unqualified opinion issued.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has sought to bring proceedings on behalf of the consolidated entity, and the consolidated entity is not a party to any proceedings, for the purpose of taking responsibility on behalf of the consolidated entity for any such proceedings, or for a particular step in any such proceedings.

INSURANCE OF DIRECTORS AND OFFICERS

During the year, Limeade paid a premium for a Directors and Officers Liability Insurance Policy (D&O Insurance). This policy covers Directors and Officers of the Company and the consolidated entity. In accordance with normal commercial practices under the terms of the insurance agreements, the disclosure of the nature of the liabilities insured against and the amount of the premiums are prohibited by the policy.

INDEMNIFICATION OF AUDITORS

To the extent of the law, Limeade has agreed to indemnify its auditors, Deloitte and Touche LLP as part of the terms of its audit engagement agreement. No payment has been made in relation to this agreement during or after the financial year.

Remuneration Report

for the year ended 31 December 2021

REMUNERATION REPORT

Limeade is a Washington-domiciled company that is listed on the Australian Securities Exchange and as such is subject to remuneration disclosure requirements that that are suitable for reporting in both Australia and the United States. This remuneration report forms part of the Directors' Report and has been prepared using the requirements of section 300A of the Australian Corporations Act 2001 (Cth) as a proxy to determine the contents that the Board has chosen to report.

The Report details the remuneration arrangements for Limeade key management personnel (KMP), Chief Executive Officer (CEO) & Executive Director Henry Albrecht and Non-Executive Directors (NEDs). KMP are those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Company. For the financial year ended 31 December 2021, the designated Limeade KMPs included in the remuneration report are:

- Larry Colagiovanni, Chief Product and Technology Officer (promoted 1 August 2021)
- Todd Spartz, Chief Financial Officer (appointed 3 May 2021)

REMUNERATION PRINCIPLES

The Limeade remuneration framework is designed to support and reinforce its principal strategic objectives and goals. The overall purpose is to facilitate the Board to set remuneration outcomes which: (i) are competitive, equitable and designed to attract and retain high quality executives; (ii) motivate executives to pursue the long-term growth of Limeade; (iii) establish a clear relationship between executive performance and remuneration; and (iv) are aligned with corporate performance and stockholder/shareholder interests and (v) ensure total remuneration is competitive by market standards.

The Board believes the remuneration framework to be appropriate and effective in attracting and retaining the best KMP to operate and manage the Company. The KMP remuneration framework is designed to support the Company's reward philosophies and to underpin the Company's growth strategy. The framework comprises the following components: Base salary appropriate to the position and experience and is competitive in the market; short term incentives against a set of measurable objectives specifically tailored for each KMP. Long term incentives are aligned to delivery of long term performance and delivery of returns to stakeholders and are equity-based grants.

ROLE OF THE BOARD AND REMUNERATION AND NOMINATION COMMITTEE

The Board and its Nomination and Remuneration Committee is established by the Board of Directors. The key purpose of the Committee is to ensure the Board is effective and high performing, making sure for example that there is an appropriate number of independent non-executive directors that represent the best interests of the Company and its shareholders, that formal and transparent renewal processes are in place and that directors are being remunerated fairly and responsibly.

The Remuneration and Nomination Committee, *inter alia:*

- Establishes processes for the identification of suitable candidates for appointment to the Board;
- Establishes processes for reviewing the performance of individual Directors, the Board as a whole, and Board committees;
- Determines the size and composition of the Board;
- Determines executive remuneration policy and Non-Executive Director remuneration policy;
- Reviews all equity-based incentive plans and makes recommendations to the Board regarding their adoption and implementation; and
- Ensures that the remuneration policies of Limeade are balanced and do not reward behaviour that is inconsistent with its values.

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors: Elizabeth Bastoni (Chair), Mia Mends, Lisa MacCallum (appointed 18 June 2021), and Cameron Judson (resigned 18 June 2021).

The Nomination and Remuneration Committee has a formal charter which can be viewed on the Company's website https://investors.limeade.com/investor-relations/?page=corporate-governance

USE OF EXTERNAL REMUNERATION ADVISORS

From time to time the Remuneration and Nomination Committee may, at its discretion, appoint external advisors or instruct management to compile information as an input to decision making.

During the year the Committee appointed HR Ascent Pty Ltd to provide remuneration benchmarking services used in determining the remuneration framework for 2021. These services were provided to the Remuneration and Nomination Committee independent of management. The total amount paid to HR Ascent Pty Ltd in 2021 was $12,000.

2021 REMUNERATION STRUCTURE

The Limeade executive compensation packages include a mix of fixed and variable compensation, and short and long-term performance-based incentives.

FIXED COMPONENT

Fixed remuneration consists of a base salary, matching 401k pension contributions of up to 3% or statutory pension contributions where applicable, and other non monetary benefits that aims to provide a competitive fixed compensation with reference to the role, market and experience of the individual. The performance of the Company and the individual are considered during the annual remuneration review.

SHORT-TERM INCENTIVE COMPONENT

The Company allocates cash bonuses linked to annual performance targets determined by the Board. These targets are established to promote and reward outstanding performance, beyond what is expected in the ordinary course of business.

The target STI opportunity is set as a percentage of fixed remuneration. For 2021 the maximum target opportunity was 70% for the CEO, Henry Albrecht; 40% for the CFO, Todd Spartz; and 60% for CTO Larry Colagionvanni. Performance targets determined by the Board in relation to 2021, were based on total Company CARR achieved, specific metrics related to each role, and leadership performance while displaying Limeade values and culture. These performance targets were not met but the board exercised its discretion in awarding extraordinary payments to Henry Albrecht in the amount of $148,750,Todd Spartz in the amount of $39,945 and Larry Colagiovanni in the amount of $122,813

LONG-TERM INCENTIVES COMPONENT

The Limeade 2019 Omnibus Incentive Plan purpose is to attract and retain the best available personnel for the Company and its Affiliates, to provide additional incentives to such personnel and to create a sense of ownership by employees in our company to incentivize long-term company performance to drive increased stockholder value. The Plan provides for the grant of the following Grants: (a) Incentive Stock Options, (b) Nonstatutory Stock Options, (c) Stock Appreciation Rights, (d) Restricted Stock Grants, (e) Restricted Stock Unit Grants, (f) Performance Grants, and (g) Other Grants.

Options granted under the 2019 Omnibus Incentive Plan during the year had performance and time-based vesting conditions. All vesting is subject to continuous service and options expire 10 year following the grant date and had an exercise of no less than the Fair Market Value on the date of grant. Options granted typically vest over 4 years with 25% vesting on the 1 year anniversary of the vesting commencement date and the remaining 75% vesting each month or quarter thereafter for the next 3 years.

The 2019 Omnibus Incentive Plan replaced the 2016 Amended Stock Plan, with the Company ceasing to grant new awards under the 2016 Plan in February 2019. The predecessor to the 2016 Plan was the Amended and Restated 2006 Stock Plan. The rules of all plans were released to the ASX on 20 December 2019 and copies are available on the ASX Announcements section of the Company's website at: https://investors.limeade.com/investor-relations/?page=asx-announcements

OTHER INFORMATION ABOUT DIRECTORS' INTERESTS AND BENEFITS

Directors may be reimbursed for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from meetings of the Board or committees of the Board or general meetings. Any Director who devotes special attention to the business of Limeade or who performs services which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of Limeade. There are no retirement benefit schemes for Directors, other than statutory superannuation contributions as applicable.

SHARE OPTIONS AND RESTRICTED STOCK UNITS

The following options and restricted stock units were granted during the year ended 31 December 2021:

Executive Director/KMP	Award Type	Grant Date	Expiry Date	Vesting Start Date	Exercise Price	Number of Options/ RSUs
Henry Albrecht	Option[1]	6/18/2021	6/18/2031	2/28/2024[1]	$0.59820	1,854,000
Todd Spartz	Option[2]	5/04/2021	5/4/3031	5/4/2021	$0.62110	2,500,000
Larry Colagiovanni	Option[2]	2/24/2021	2/24/2031	2/1/2021	$1.21803	400,000
	Option[2]	8/1/2021	8/1/2031	8/1/2021	$ 0.5581	1,150,000

1. Awards were issued under the 2019 Ominbus Incentive Plan and is subject to performance-based vesting.

   Performance Criteria:

   a. Mr. Albrecht will be entitled to the full award as described above only if Limeade achieves 15% Compound Annual Growth Rate (CAGR) measured exclusively on Contracted Annual Recurring Revenue (CARR) over the three-year period between January 1, 2021 and December 31, 2023. If CAGR over this period is less than 12.5%, no options will vest under this award. If CAGR over this period equals 12.5%, Mr. Albrecht will be entitled to an award of 80% of the amount set forth above. If CAGR is between 12.5% and 15%, Mr. Albrecht would be entitled to a percentage award between 80% and 100% of this award calculated on a straight-line basis corresponding to the CAGR achieved.

   b. For purposes of satisfying the performance criteria in (a) above, only CARR generated by Limeade products and services existing as of the date of the grant will be considered. No CARR generated due to the merger with or acquisition of another entity will be credited toward satisfaction of the performance criteria.

   c. Satisfaction of the Performance Criteria set forth above will be determined by the Board in its sole discretion on the first Board Meeting following December 31, 2023.

2. Awards were issued under the 2019 Ominbus Incentive Plan and are subject to time-based vesting. Awards vest over 4 years with with 25% vesting on the anniversary of the vesting start date and the remaining 75% vesting in equal monthly or quarterly installments over the remaining 3 years.

SHARES ISSUED ON EXERCISE OF OPTIONS

During the year ended 31 December 2021, the Company has not issued any Shares to the Executive Director or any active KMP as a result of the exercise of options.

EXECUTIVE DIRECTOR AND KMP REMUNERATION DURING THE YEAR

The remuneration of key management personnel in respect of the financial year ended 31 December 2021 (including remuneration yet to be paid) is summarised below.

	Short Term		Long Term	
	Cash Salary (US$)	Incentives[1]	Retirement Benefits	Incentives[4]
Executive Directors				
Henry Albrecht	$425,000[2]	$148,750	$8,700	TBD[5]
KMP				
Todd Spartz	$200,000[3]	$39,945	$6,450	$800,036[6]
Larry Colagiovanni	$331,250	$122,813	$8,700	$700,000
Toby Davis (resigned 14 March 2021)	187,500[7]	$30,000	$3,468	$0

Notes:

1. Determined at the discretion of the Board (see Short-Term Incentive Component above) and paid in January 2022.
2. Includes Director Fees of NIL in 2021
3. Todd Spartz was hired as CFO on 4 May 2021. Cash salary represents prorated salary of $300,000 from hire date. A one-time signing bonus of $15,000 was also paid during 2021 and is included in the cash salary above.
4. The Remuneration & Nomination Committee and Board determined that the number of options would be calculated using the Black-Scholes formula and the following variables: 30 day volume weighted average price for both the value of the underlying CDI and the exercise price; the annualised historical volatility of Limeade's CDI; a risk free interest rate equal to the current 10 year US treasury yield; and an expiration equal to the term of the option grant, 10 years. The value of RSUs are valued using the 30 day volume weighted average price for CDI.

5. Award vests once Performance Criteria set forth is met which will be determined by the Board in its sole discretion on the first Board Meeting following 31 December 2023. (See detail above). Note that the Company currently expects the performance criteria to not be met and has therefore not included any compensation expense with this grant.
6. Awards vest over 4 years with 25% vesting on the anniversary of the vesting start date and the remaining 75% vesting in equal quarterly installments over the remaining 3 years.
7. Cash salary pro-rated based on resignation date of 14 March 2021.

EXECUTIVE DIRECTOR AND KMP REMUNERATION SERVICE AGREEMENTS

Remuneration and other terms of employment for the Executive Director and KMP are formalized in service agreements. The Executive Director and KMP rreceive health care coverage, life insurance, matching 401k pension contributions up to 3%, and other customary employee benefits. All have entered into the Limeade standard Confidentiality, Noncompetition, and Invention Assignment Agreement, which imposes non-solicitation of employees and customers, and restraint of trade (non-competition) covenants during employment and for one year following termination of their employment with Limeade. Details of agreements are as follows:

Name	Henry Albrecht
Title	CEO / Executive Director
Effective Date	1 January 2021
2021 Salary	$425,000
2021 Target Cash Bonus	$297,500

Name	Todd Spartz
Title	Chief Financial Officer
Effective Date	1 January 2021
2021 Salary	$300,000
2021 Target Cash Bonus	$120,000

Name	Larry Colagiovanni
Title	Chief Technology Officer
Effective Date	1 1 August 2021
2021 Salary	$375,000
2021 Target Cash Bonus	$225,000

SHARE-BASED COMPENSATION

Other than as set out in this report, there were no shares issued to KMP as part of compensation during the year ended 31 December 2021.

COMMON STOCK / CDIs

The number of common shares/CDIs in the Company during the year ended 31 December 2021 reporting period held by each of the Company's KMP, including their related parties, is set out below:

Executive Director/KMP	Balance at Start of Year	Granted as Remuneration	Received on Exercise	Other Changes	Held at End of Reporting Period
Henry Albrecht	40,311,485	—	—	—	40,311,485
Todd Spartz	—	—	—	—	—
Larry Colagiovanni	—	—	—	18,080	18,080

Options and Restricted Stock Units Held by KMP

The number of options and restricted stock units in the Company during the year ended 31 December 2020 reporting period held by each of the Company's KMP, including their related parties, is set out below:

Executive Director/KMP	Balance at Start of Year	Granted as Remuneration	Other Changes	Held at End of Reporting Period
Henry Albrecht	571,000	1,854,000[1]	–	2,425,000
Todd Spartz	–	2,500,000	–	2,500,000
Larry Colagiovanni	1,302,250	1,450,000	–	2,826,668

NON-EXECUTIVE DIRECTORS

The Limeade Board seeks to set Non-Executive Directors' fees at a level that provides the Company with the ability to attract and retain Non-Executive Directors of high calibre with relevant professional expertise and reflects the demands that are made on, and the responsibilities of, the Non-Executive Directors, while incurring a cost that is acceptable to stockholders of the Company.

Under Limeade Bylaws, the Board may decide the total amount paid to each non-executive Director as remuneration for their services. However, under the ASX Listing Rules, the total amount paid to all non-executive Directors for their services (excluding, for these purposes, the salary of any Executive Director) must not exceed in aggregate in any financial year the amount fixed by Limeade's general meeting. This amount has been fixed at $650,000 per annum. Any increase to the aggregate amount will be approved by Shareholders.

This aggregate annual sum does not include any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of Limeade, which may be made in addition to or in substitution for the Director's fees.

The Directors' fees currently agreed to be paid by Limeade for the financial year ending December 2020 are as set out below.

	Short Term		Long Term	
Non-Executive Directors	Cash Salary and Fees (US$)	Non-Monetary	Annual Leave	Options/other
Elizabeth Bastoni (Chair)	$110,000	–	–	–
Cameron Judson[1]	$ 70,000	–	–	–
Deven Billimoria[2]	$ 70,000			
Lisa MacCallum	$ 70,000	–	–	–
Chris Ackerley	–	–	–	–
Steve Hamerslag	–	–	–	–
Mia Mends	$ 70,000	–	–	–

Notes:

1. Cameron Judson retired 18 June 2021
2. Deven Billimoria appointed 18 June 2021

In addition, the Chair of the Audit and Risk Management Committee and the Chair of the Remuneration and Nomination Committee will each receive $10,000 per annum, and each other member of those committees will receive $5,000 per annum, for their service on those committees. All non-executive Directors' fees are inclusive of superannuation contributions where required by law.

SHARES HELD BY NON-EXECUTIVE DIRECTORS

The number of common shares/CDIs in the Company during the year ended 31 December 2021 reporting period held by each of the Company's Non-Executive Directors, including their related parties, is set out below:

Director	Balance at Start of Year	Granted as Remuneration	Received on Exercise	Other Changes	Held at End of Reporting Period
Elizabeth Bastoni	—	—	—	—	—
Cameron Judson[1]	50,000	—	—	—	—
Deven Billimoria[2]	—			239,398	239,398
Lisa MacCallum	10,000	—	—	—	10,000
Chris Ackerley[3]	4,116,360	—	—	—	4,116,360
Steve Hamerslag[4]	—	—	—	—	—
Mia Mends	—	—	—	—	—

Notes:

1. Cameron Judson retired 18 June 2021
2. Deven Billimoria appointed 18 June 2021. Deven does not have a direct interest in Securities; . however, Deven's relevant interest arises, due to his relationship with the trustees, Angie Pinto and Douglas Pinto the registered holder being Angie Pinto and Douglas Pinto ATF Singalila Family Trust holding 239,398 Securities at 31 December 2021.
3. Chris Ackerley's holdings include Securities held by Chris personally, and Securities held by Chris and his spouse, Diana, jointly.
4. Steve Hamerslag does not have a direct interest in Securities, however he is a Managing Partner of TVC Capital which manages TVC Capital II LP (which holds 35,618,770 at 31 December 2020) and may indirectly benefit economically from those activities. He may also indirectly benefit from TVC Capital's holding of 1,039,512 Securities.

OPTIONS HELD BY NON-EXECUTIVE DIRECTORS

The number of options in the Company during the year ended 31 December 2020 reporting period held by each of the Company's Non-Executive Directors, including their related parties, is set out below:

Director	Balance at Start of Year	Granted as Remuneration	Other Changes	Held at End of Reporting Period
Elizabeth Bastoni	—	—	—	—
Cameron Judson[1]	—	—	—	—
Deven Billimoria[2]				
Lisa MacCallum	—	—	—	—
Chris Ackerley	660,000	—	—	660,000
Steve Hamerslag	—	—	—	—
Mia Mends	—	—	—	—

Notes:

1. Cameron Judson retired 18 June 2021
2. Deven Billimoria appointed 18 June 2021

LOANS TO KMP

There were no loans made during the year to any Key Management Personnel.

LOANS TO NON-EXECUTIVE DIRECTORS

There were no loans made during the year to any Non-Executive Directors.

Report of Independent Auditors and Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

Limeade, Inc.
ARBN 637 017 602

Report of Independent Auditors

for the year ended 31 December 2021

Deloitte.

Deloitte & Touche LLP
925 Fourth Ave
Suite 3300
Seattle, WA 98104
Tel: +1 206 716 7000
Fax: +1 206 965 7000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of Limeade, Inc.

Opinion

We have audited the consolidated financial statements of Limeade, Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive loss, statement of shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Deloitte.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte & Touche LLP

February 23, 2022

Consolidated Balance Sheets

(in US Dollars, in thousands)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 13,939	$ 31,497
Accounts receivable, net of allowance for doubtful accounts of $93 and $117, respectively	8,709	8,624
Prepaid expenses and other current assets	5,433	3,388
Total current assets	**28,081**	**43,509**
Non-current assets		
Property and equipment - net	441	590
Capitalized software development costs - net	8,895	6,302
Capitalized sales commissions - net	670	—
Operating lease right-of-use assets - net	2,638	2,324
Goodwill	8,562	1,435
Intangible assets - net	3,926	1,001
Other non-current assets	327	361
Total assets	**$ 53,540**	**$ 55,522**
Liabilities and shareholders' equity		
Current liabilities		
Trade payables	$ 2,058	$ 4,127
Accrued compensation	3,748	2,879
Accrued expenses and other current liabilities	6,955	5,603
Operating lease right-of-use liabilities	1,531	566
Deferred revenue	13,528	10,089
Customer deposits	2,578	2,499
Acquisition earnout liability	110	—
Income taxes payable	—	17
Total current liabilities	**30,508**	**25,780**
Non-current liabilities		
Operating lease right-of use liabilities	1,363	1,806
Acquisition earnout liability	790	—
Deferred tax liability	10	5
Total non-current liabilities	**2,163**	**1,811**
Total liabilities	**32,671**	**27,591**
Commitments and contingencies (Note 13)		
Shareholders' equity		
Common stock ($0.0001 par value, 550,000,000 shares authorized, 253,621,067 and 247,420,156 shares issued and outstanding as of December 31, 2021 and 2020, respectively)	—	—
Additional paid-in capital	70,241	67,586
Accumulated deficit	(49,372)	(39,655)
Total shareholders' equity	**20,869**	**27,931**
Total Liabilities and shareholders' equity	**$ 53,540**	**$ 55,522**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations

(in US Dollars, in thousands, except per share data)

	For the Twelve Months Ended December 31	
	2021	**2020**
Revenue:		
Subscription services	$ 52,172	$ 54,926
Other	3,024	1,659
Total revenues	**55,196**	**56,585**
Cost of revenue	**14,982**	**13,268**
Gross profit	**40,214**	**43,317**
Operating expenses		
Sales and marketing	17,092	17,901
Research and development	20,400	16,978
General and administrative	12,518	9,056
Total operating expenses	**50,010**	**43,935**
Operating loss	**(9,796)**	**(618)**
Other income (loss), net	**(144)**	**369**
Loss before income taxes	(9,940)	(249)
Income tax expense	(25)	(16)
Net loss	**$ (9,965)**	**$ (265)**
Basic and diluted loss per common share (Note 9)		
Net loss	$ (0.04)	$ (0.00)
Net loss per share attributable to common shareholders, basic and diluted	**$ (0.04)**	**$ (0.00)**
Weighted average shares of common stock outstanding, basic and diluted	**250,356**	**245,520**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Loss

(in US Dollars, in thousands)

	For the Twelve Months Ended December 31	
	2021	**2020**
Net loss	$ (9,965)	$ (265)
Other comprehensive gain (loss) — Foreign currency translation	248	(208)
Total comprehensive loss	**$ (9,717)**	**$ (473)**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity

(in US Dollars, in thousands, except share data)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
BALANCE, December 31, 2019	244,849,004	—	$ 66,407	$ (39,182)	$ 27,225
Initial public offering costs	—	—	(59)	—	(59)
Exercise of stock options and warrants	2,571,152	—	316	—	316
Stock-based compensation	—	—	922	—	922
Loss on translation adjustments	—	—	—	(208)	(208)
Net loss	—	—	—	(265)	(265)
BALANCE, December 31, 2020	**247,420,156**	**—**	**$ 67,586**	**$ (39,655)**	**$ 27,931**
Exercise of stock options and warrants	6,200,911	—	768	—	768
Stock-based compensation	—	—	1,887	—	1,887
Gain on translation adjustments	—	—	—	248	248
Net loss	—	—	—	(9,965)	(9,965)
BALANCE, December 31, 2021	**253,621,067**	**—**	**70,241**	**(49,372)**	**20,869**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

(in US Dollars, in thousands)

	For the Twelve Months Ended December 31	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (9,965)	$ (265)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	2,077	1,489
Amortization of operating lease-right-of-use assets	(76)	1,212
Amortization of capitalized sales commissions	47	—
Stock-based compensation	1,887	922
Change in assets and liabilities		
Accounts receivable	689	(1,323)
Prepaid expenses and other current assets	(1,537)	937
Deferred tax asset	5	—
Capitalized sales commission, net	(717)	—
Other non-current assets	(175)	294
Trade accounts payable	(2,114)	471
Accrued compensation	148	(1,013)
Accrued expenses and other current liabilities	1,514	634
Income taxes payable	(17)	(6)
Deferred revenue	2,389	1,774
Deferred tax liability	—	3
Customer deposits	79	405
Operating lease liabilities	523	(1,517)
Foreign currency gains (losses)	35	(236)
Net cash provided by operating activities	**(5,208)**	**3,781**
CASH FLOWS FROM INVESTING ACTIVITIES		
Capitalized software development costs	(3,655)	(2,987)
Purchases of property and equipment	(181)	(197)
Cash paid for acquisition, net	(9,091)	—
Net cash used in investing activities	**(12,927)**	**(3,184)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of initial public offering transaction costs	—	(829)
Payments on principal of capital leases	—	(4)
Payments on acquisition holdbacks	—	(571)
Proceeds from exercise of stock options	601	316
Net cash (used in) provided by financing activities	**601**	**(1,088)**
Foreign currency effect on cash and cash equivalents	(24)	26
NET CHANGE IN CASH AND CASH EQUIVALENTS	(17,558)	(465)
CASH AND CASH EQUIVALENTS		
Beginning of year	31,497	31,962

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows (cont.)

(in US Dollars, in thousands)

	For the Twelve Months Ended December 31	
	2021	2020
End of year	$ 13,939	$ 31,497
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	1	—
Cash paid for taxes	28	3
NON-CASH OPERATING, INVESTING, AND FINANCING ACTIVITIES		
Property and equipment included in accounts payable	2	25
Fair value of acquisition earnout liability	900	—

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

NOTE 1 – ORGANIZATION

Description of Business

Limeade, Inc. (the "Company", "Limeade", "Management", or "we") was incorporated in the state of Washington on February 23, 2006, and is headquartered in Bellevue, Washington. The Company provides software solutions that elevate the employee experience and help build great places to work. The Limeade platform offers employee well-being, engagement, inclusion and communications solutions in one seamless user experience. The Company generates revenue through the sale of its software solutions to customers, which are provided via the cloud, under a subscription-based revenue model.

The Company has wholly owned subsidiaries in Canada, Germany, Vietnam, and a branch registered in Australia. These entities provide business development, software development, and support services.

Certain Significant Risks and Uncertainties

The Company operates in a dynamic industry and accordingly, can be affected by a variety of factors. For example, management believes that changes in any of the following areas could have a significant negative effect on the Company in terms of our future financial position, results of operations or cash flows: the need for continued growth in the demand for the Company's products and services, reliance on key personnel including the ability to attract and retain qualified employees and key personnel, competition from other companies with greater financial, technical, and marketing resources, scaling and adaptation of existing technology and network infrastructure, management of the Company's growth, and protection of our brand and intellectual property, among other things.

The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. In view of the rapidly changing business environment, unprecedented market volatility and heightened degree of uncertainty resulting from COVID-19, we are currently unable to fully determine its future impact on our business. However, we are monitoring the progression of the pandemic and its potential effect on our financial position, results of operations, and cash flows.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include those of the Company and its subsidiaries after elimination of all intercompany accounts and transactions. These consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates include revenue recognition, allowances for doubtful accounts, useful lives of property and equipment and capitalized software development costs, assumptions used in stock-based compensation, estimates of fair value of common stock, measurement of the valuation allowance for deferred tax assets and estimates of fair value of acquired assets and liabilities. Actual results could differ from management's estimates and assumptions.

The COVID-19 pandemic has introduced significant additional uncertainty with respect to estimates, judgments and assumptions, which may materially impact the estimates previously listed.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents. The Company generally places its cash and cash equivalents and short-term investments with high-credit-quality counterparties to make sure the financial institutions are stable when the Company's deposits exceed Federal Deposit Insurance Corporation limits, and by policy, limit the amount of credit exposure to any one counterparty based on the Company's analysis of the counterparty's relative credit standing. The Company maintains its cash accounts with financial institutions where, at times, deposits exceed federal insurance limits.

Credit risk with respect to accounts receivable is dispersed based on the number of our customers. Two customers combined represented 25% of net accounts receivable as of December 31, 2021, and 2020. During the year ended

December 31, 2021 the two largest customers combined accounted for less than 10% of total revenue. During the year ended December 31, 2020, the two largest customers combined accounted for 10% or more of total revenue.

Foreign Currency Translation

The Company's consolidated financial statements are reported in U.S. dollars. The financial statements of our foreign subsidiaries with a functional currency other than U.S. dollars have been translated into U.S. dollars. Assets and liabilities of these subsidiaries are translated at the exchange rates in effect at each period-end. Income statement amounts are translated at the average exchange rate during the period. Translation adjustments resulting from this process are included in other comprehensive income.

Cash and Cash equivalents

The Company considers all short-term cash equivalents with original maturities of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded net of an allowance for doubtful accounts and are generally due within 30 to 75 days. The allowance for doubtful accounts reflects the Company's best estimate of losses inherent in the gross accounts receivable balance. The Company considers accounts outstanding longer than the contractual payment terms as past due. The Company determines the allowance by considering a number of factors, including the length of time accounts receivable are past due, previous loss history, a specific customer's ability to pay its obligations, and the condition of the general economy and industry as a whole. Accounts receivable ultimately deemed uncollectible are written off against their allowance in the period in which they are deemed uncollectible.

Accounts receivable include outstanding invoices issued to customers according to the terms of the Company's contractual arrangements. The Company reviews accounts receivable regularly to determine if any receivable will be potentially uncollectible.

Internally Developed Software

All costs related to the development of internal use software, other than those incurred during the application development stage, are expensed as incurred. Costs incurred during the application development stage are capitalized and amortized over the estimated useful life of the software, which is typically seven years. The estimated useful lives of internally developed software are reviewed frequently and adjusted as appropriate to reflect upcoming development activities that may include significant upgrades and/or enhancements to the existing functionality. Capitalized internally developed software costs are amortized on a straight-line basis over their expected economic lives. Amortization of these costs begins once the product is ready for its intended use. The amount of costs capitalized within any period is dependent on the nature of software development activities and projects in each period.

The Company capitalized $3.7 and $3.0 million of internally developed software costs for the years ended December 31, 2021 and 2020, respectively. Amortization expense related to capitalized software was $1.1 million and $0.7 million for the years ended December 31, 2021 and 2020, respectively.

Goodwill

Goodwill represents the excess of the cost of an acquired business over the fair value of the assets acquired at the date of acquisition and is not amortized. The Company reviews goodwill for impairment at least annually, or more frequently, if events or changes in circumstances indicate that the carrying value of goodwill may not be recoverable. The Company has elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of the Company's single reporting unit is less than its carrying value as a basis for determining whether we need to perform the quantitative two-step impairment test. Only if we determine, based on qualitative assessment, that it is more likely than not that a reporting unit's fair value is less than its carrying value will we calculate the fair value of the reporting unit. We would then test goodwill for impairment by first comparing the book value of net assets to the fair value of the reporting unit. As December 31, 2021 and December 31, 2020, no impairment of goodwill has been identified and there were no impairment charges for the years ended December 31, 2021 and 2020, respectively.

Intangible Assets

Intangible assets consist of acquired technology and customer relationships. Acquired finite-lived intangible assets are amortized over their estimated useful lives. The Company evaluates the recoverability of its intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value. Management has determined that there was no impairment for the years ended December 31, 2021 and 2020.

Long–Lived Assets

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. An impairment is recognized in the event the carrying value of such assets is not recoverable. If the carrying value is not recoverable, the fair value is determined, and an impairment is recognized for the amount by which the carrying value exceeds the fair value. Management has determined that there was no impairment for the years ended December 31, 2021 and 2020.

Revenue Recognition

The Company derives its revenues from two primary sources: (1) subscription revenues, which are comprised of fees from customers for access to the Company's software platform and fees from customers for value-add services provided by third parties and (2) other revenues, which are comprised of fees from customers for implementation services and onsite client program managers.

Subscription Revenue

Subscription revenues are cloud-based subscriptions which allow customers to access the Company's software during a contractual period without taking possession of the software. The Company's subscription arrangements typically contain a contract period of one year, and can be billable in annual, quarterly, or monthly invoices. Payments received in advance of customers being provided access to the software are deferred. The Company recognizes revenue related to these cloud-based subscriptions ratably over the life of the subscription agreement beginning when the customer first has access to the software. Revenues from cloud-based subscriptions are included in subscription services revenues.

Subscription revenues also include third party services such as health coaching and content subscription services, which are often contracted for and billed to the customer by the Company. Revenue associated with these arrangements is recognized net of costs charged to the Company by the third party providers and is generally recognized on a ratable basis over the contract period.

Other Revenue

Other revenue includes implementation fees for subscription software and related programs, as well as other services such as onsite client program managers, biometric data collection, and onsite screenings. Payments received in advance of other revenue service performance are deferred and are recognized as the services are performed, or ratably over the contract period, depending on the service.

Performance Obligations

The Company identifies performance obligations in its contracts with customers, which primarily include software subscription licenses, implementation costs, onsite management fees. The Company determines the transaction price based on the amount of consideration it expects to receive in exchange for transferring the promised goods or services to the customer. It allocates the transaction price in the contract to each distinct performance obligation in an amount that depicts the relative amount of consideration it expects to receive in exchange for satisfying each performance obligation. Revenue is recognized when performance obligations are satisfied.

Judgments and Estimates

Contracts with customers often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately from one another sometimes requires judgment. The Company's contracts often require it to perform certain setup and implementation services so that its customers can appropriately utilize its subscription products. These services are not treated as distinct performance obligations. Instead, they are combined with our subscription services and recognized ratably over the term of the customer contract. In future periods, these services may qualify as distinct performance obligations which may require further transaction price allocation and earlier recognition of revenue for a portion of customer contracts.

Judgment is also required to determine the standalone selling price ("SSP") for each distinct performance obligation. The Company typically has more than one SSP for each of its products and services based on customer stratification, which is based on the size of the customer, their geographic region and market segment. For cloud-based subscriptions, SSP is generally observable using standalone sales and/or renewals. The Company evaluates contracts with customers that include options to purchase additional goods or services to determine whether the options give rise to a material right, which is a separate performance obligation. If the Company determines the options give rise to a material right, the revenue allocated to such right is not recognized until the option is exercised or the option expires.

Finally, the Company's contracts with customers generally include performance or service level guarantees, which obligate the Company to certain service performance deliverables such as minimum engagement rates, minimum scores on customer satisfaction surveys and web-site uptime requirements. These guarantees are treated as variable consideration, which reduces the total transaction price for individual contracts. The Company monitors compliance with performance guarantees throughout the duration of each contract and has a history of meeting contract performance guarantees.

Reserves for estimated contract performance guarantees are established based on historical performance and are recognized as a reduction of revenue and accrued liabilities on the balance sheet. The reserve liability is $0.7 million and $1.6 million as of December 31, 2021 and 2020, respectively.

Assets Recognized from the Costs to Obtain a Contract with a Customer

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The Company's commission plans through Q2 2021 include substantive service conditions that need to be met before a commission associated with a contract (or group of contracts) is actually earned by the salesperson. In such cases, some or all of the sales commission may not be incremental costs incurred to obtain a contract with the customer since the costs were not actually incurred solely as a result of obtaining a contract with a customer. Rather the costs were incurred as a result of obtaining a contract with a customer and the salesperson providing ongoing services to the entity for a substantive period. In Q2 2021, the substantive service conditions were removed from the commission plans. Accordingly, sales commission relating to sales made in the second half of 2021 were capitalized and will be amortized over the estimated customer life of 36 months.

For the year ended December 31, 2021, the Company had $0.7 million of sales commissions that were capitalized and $47 thousand of related amortization expense. The Company did not have any costs that met the requirements for capitalization for the year ended December 31, 2020.

Contract Assets

Contract assets represent the portion of the transaction price from a contract with a customer where control has transferred, but for which the company currently does not have the contractual right to invoice. The Company reduces the gross contract asset balance for any impairments identified based on its consideration of a combination of factors including past collection experience, credit quality of the customer, age of other receivables balances due from the customer and current economic conditions. The Company did not have any contract assets as of December 31, 2021 or December 31, 2020.

Deferred Revenue

Deferred revenue represents billings or payments received in advance of revenue recognition from subscription and third-party services. Deferred revenue is recognized as the revenue recognition criteria are met. The Company generally invoices customers monthly, semi-annually, or annually in advance of providing services. Deferred revenue recorded at December 31, 2021, is expected to be recognized within the next 12 months as the related services are provided.

Customer Deposits

Customer deposits represents payments received in advance of revenue recognition from subscription and third-party services that are subject to cancellation and refund provisions.

Income Taxes

The Company accounts for income taxes under the asset and liability method. The Company's deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and income tax basis of assets and liabilities and are measured using the enacted tax rates expected to apply in the years when the differences are expected to reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. The Company assesses its income tax positions and records income taxes based upon management's evaluation of the facts, circumstances, and information available at the reporting date.

The Company determines whether its uncertain tax positions are more likely than not to be sustained upon examination based on the technical merits of the position. For tax positions not meeting the more likely than not threshold, the tax amount recognized in the consolidated financial statements is reduced by the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company does not have any uncertain tax positions as of December 31, 2021 or December 31, 2020.

Share–based Compensation

The Company accounts for stock-based payment awards made to employees and directors under Accounting Standards Codification ("ASC") *Share-Based Payments* ("ASC 718"), which requires measurement and recognition of compensation expense for all share-based payment awards based on fair value. The Company estimates the fair value of share-based payment awards using the Black-Scholes option-pricing model. The Black-Scholes model incorporates various assumptions, including expected volatility, dividend yields, risk-free interest rates, weighted-average expected lives, and estimated forfeitures of options.

Under ASC 718, share-based compensation expense is recognized based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. The Company recognizes compensation expense for all share-based payment awards made to employees and directors using a straight-line method, generally over a service period of four years.

Effective January 1, 2020 the Company adopted ASU 2018-7, *Compensation-Stock Compensation; Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 718") which conforms the accounting for non-employees to the accounting treatment for employees. The new standard replaces using a fair value as of each reporting date with the use of the calculated fair value as of the grant date. The implementation of ASU 718 provides for the use of the fair market value as of the adoption date, rather than using the value as of the original grant date. The Company utilizes the Black-Sholes option pricing model and uses the simplified method to determine expected term because of lack of sufficient exercise history.

Share-based compensation cost for RSUs is recognized on a straight-line basis in the consolidated statements of operations over the period during which the participant is required to perform services in exchange for the award, based on the fair value of the underlying common stock on the date of grant. The vesting period of each RSU grant is generally four years and share based compensation is adjusted for the impact of estimated forfeitures.

Research and Development Expenses

Research and development expenses include payroll, employee benefits, and other headcount-related costs associated with product development. Research and development costs are expensed as incurred.

Leases

The Company determines if an arrangement is a lease at inception, and leases are classified at commencement as either operating or finance leases. Right-of-use ("ROU") assets and lease liabilities are recognized at commencement date based on the present value of the future minimum lease payments over the lease term. Operating lease ROU assets are presented separately in long-term assets and finance lease ROU assets are included in property and equipment, net on the consolidated balance sheets. As most of the Company's operating leases do not provide an implicit rate, management uses its incremental borrowing rate in determining the present value of future payments. This rate is an estimate of the collateralized borrowing rate it would incur on our future lease payments over a similar term based on the information available at commencement date. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option.

The Company utilizes certain practical expedients and policy elections available under the lease accounting standard. For example, it does not record right-of-use assets or lease liabilities for leases with terms of 12 months or less, and it combines lease and non-lease components for contracts containing real estate leases. Right-of-use assets are subject to evaluation for impairment or disposal on a basis consistent with other long-lived assets.

Contingencies

A loss contingency is recorded if it is probable and the amount of the loss can be reasonably estimated. The Company assesses, among other factors, the probability of an adverse outcome and its ability to make a reasonable estimate of the ultimate loss.

Recently Adopted Accounting Pronouncements

Effective January 1, 2020 the Company adopted ASU 2018-7, *Compensation-Stock Compensation; Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 718") which conforms the accounting for non-employees to the accounting treatment for employees. The new standard replaces using a fair value as of each reporting date with the use of the calculated fair value as of the grant date. The implementation of ASU 718 provides for the use of the fair market value as of the adoption date, rather than using the value as of the original grant date. The Company utilizes the Black-Sholes option pricing model and uses the simplified method to determine expected term because of lack of sufficient exercise history.

Accounting Pronouncements Not Yet Adopted

In June 2020, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*. This guidance requires an entity to measure and recognize expected credit losses for certain financial instruments and financial assets, including trade receivables. This guidance is effective for the Company on January 1, 2023 with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements and related disclosures and does not expect a material impact.

NOTE 3 – FAIR VALUE MEASUREMENTS

U.S. GAAP has established a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets and liabilities

Level 2 – Observable inputs other than quoted prices included in Level 1

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets or liabilities

Cash and cash equivalents are classified as Level 1. Acquisition earnout liabilities are classified as Level 3 because the Company uses unobservable inputs to value them, reflecting its assessment of the assumptions market participants would use to value these liabilities. Changes in the fair value of earnout liabilities are recorded in other income (losses), net in the consolidated statements of operations. The following table summarizes the valuation of financial instruments within the fair-value hierarchy:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 13,939	$ 13,939	$ —	$ —
Acquisition earnout liability	900	—	—	900
Total	**$ 14,839**	**$ 13,939**	**$ —**	**$ 900**

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Cash equivalents	$ 31,497	$ 31,497	$ —	$ —

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31:

(in thousands)	2021	2020
Computer equipment and software	$ 1,745	$ 4,126
Furniture and equipment	660	660
Leasehold improvements	607	604
Total	3,012	5,390
Less accumulated depreciation and amortization	(2,571)	(4,800)
Total property and equipment, net	**$ 441**	**$ 590**

Depreciation and amortization expense for property and equipment was $0.3 million and $0.5 million, respectively, for the years ended December 31, 2021 and 2020.

NOTE 5 – INTANGIBLE ASSETS

Finite-lived intangible assets consisted of the following:

		December 31, 2021		
(in thousands)	Useful Life (Years)	Gross	Accumulated Amortization	Net
Customer relationships	5	$ 4,878	$ (1,502)	$ 3,376
Technology	5	$ 600	$ (50)	550
		$ 5,478	$ (1,552)	$ 3,926

		December 31, 2020		
(in thousands)	Useful Life (Years)	Gross	Accumulated Amortization	Net
Customer relationships	5	$ 1,878	$ (877)	$ 1,001

Amortization expense for finite-lived intangible assets for the years ended December 31, 2021 and 2020 was $0.7 million and $0.4 million, respectively.

NOTE 6 – EMPLOYEE SAVINGS PLAN

In September 2011, the Company adopted a retirement plan (the "Plan") under Section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees of the Company who meet minimum age and service requirements and allows for participants to defer a portion of their annual compensation on a pre-tax basis subject to annual regulatory contribution limitations. Plan assets are held separately from those of the Company in funds under the control of a third-party trustee.

In October of 2020 the Company amended the 401(k) Plan to include an employer matching contribution retroactive to January 1, 2020, with 100% immediate vesting. The Company will make matching contributions of 50% to each participant's before-tax and Roth elective contributions, limited to 3% of the participant's compensation each pay period for each employee who has met the match contribution eligibility criteria. For the years ended December 31, 2021 and 2020, the Company had accrued $0.1 million and $0.7 million, respectively, related to the Company matching contribution. These amounts are included in Accrued Compensation.

NOTE 7 – DEFERRED REVENUE

Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to contracts with customers. Liabilities are recorded for amounts that are collected in advance of the satisfaction of performance obligations. To the extent a contract exists, as defined by ASU 606, these liabilities are classified as current and non-current deferred revenue. To the extent that a contract does not exist, these liabilities are classified as contract liabilities. Contract liabilities are transferred to deferred revenue at the point in time when the criteria that establish the existence of a contract are met. As of December 31, 2021 and 2020, the Company had no contract liabilities.

A summary of the activity impacting deferred revenue balances during the years ended December 31 is presented below:

(in thousands)	2021	2020
Beginning balance	$ 10,089	$ 8,315
Additional amounts deferred	58,635	58,359
Revenue recognized	(55,196)	(56,585)
Ending balance	**$ 13,528**	**$ 10,089**

NOTE 8 – INCOME TAXES

Domestic and foreign components of loss before income tax are as follows:

	December 31	
(in thousands)	2021	2020
Domestic	$ (9,863)	$ 1,316
Foreign	(77)	(1,565)
Total	**$ (9,940)**	**$ (249)**

Major components of the income tax provision are as follows *(in thousands)*:

	December 31	
	2021	2020
Current		
Federal	$ —	$ —
State	5	13
Foreign	15	—
Total current income tax provision	$ 20	$ 13
Deferred		
Federal	5	3
State	—	—
Foreign	—	—
Total deferred income tax provision (benefit)	5	3
Total	**$ 25**	**$ 16**

Reconciliation of Provision (Benefit) for Income Taxes:

	December 31	
(in thousands)	2021	2020
Tax at statutory rate	$ (2,207)	$ (77)
State taxes	4	10
Stock based compensation	129	140
Federal Tax Credits	(688)	(352)
Foreign Rate Differential	(70)	(123)
Transaction cost - TINYpulse	64	—
Deferred	99	(86)
Change in Valuation Allowance	2,675	505
Other	19	(1)
Total	**$ 25**	**$ 16**

Operating Loss Carryforwards

At December 31, 2021 and 2020, the Company had federal net operating loss carryforwards of approximately $50.9 million and $32.6 million, respectively, which may be used to offset future taxable income. The carryforwards, excluding $16.7 million of operating loss carryforwards that are indefinite-lived, will expire starting in 2028. The Company's ability to utilize its carryforwards is dependent on generating sufficient taxable income prior to their expiration. A full valuation allowance has been established to reflect the uncertainty of generating future taxable income necessary to realize the Company's tax loss carryforwards and other deferred tax assets.

Current tax laws impose substantial restrictions on the utilization of net operating loss carryforwards in the event of an ownership change, as defined by Section 382 of the Internal Revenue Code. Since the losses incurred are fully reserved by a valuation allowance, any limitation related to Section 382 will not have a material impact on the financial statement. The limitation on net operating loss carryforwards could impact the deferred tax asset and corresponding valuation allowance below.

Deferred Tax Assets and Liabilities

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31	
(in thousands)	**2021**	**2020**
Deferred tax assets:		
Net operating loss	$ 12,268	$ 8,191
Nondeductible reserves	396	685
Research and development credit carryforward	3,252	2,451
Lease liabilities	485	472
Other	445	(28)
Total deferred tax assets	**16,846**	**11,771**
Deferred tax liabilities:		
Software development costs	(1,988)	(1,406)
Right-of-use assets	(419)	(460)
TINYpulse intangible assets	(773)	—
Other	(20)	(291)
Total deferred tax liabilities	**(3,200)**	**(2,157)**
Net deferred tax assets before valuation allowance	13,646	9,614
Valuation allowance	(13,656)	(9,619)
Net deferred tax liability	$ (10)	$ (5)
Net operating loss carryforward	**50,930**	**32,624**

The Company adheres to requirements for uncertain tax positions, which had no financial statement impact to the Company upon adoption due to the existing valuation allowance on deferred tax assets. The Company files income tax returns in the U.S. federal and several state jurisdictions. As of December 31, 2021 and 2020, there is no accrued interest or penalties recorded in the consolidated financial statements.

Due to the Company's net operating loss and tax credit carryforwards, all federal and state tax returns are subject to tax examinations since the Company's inception.

NOTE 9 – NET LOSS PER SHARE

Net loss per share is computed by dividing the net loss for the years ended December 31, 2021 and 2020 by the weighted-average number of shares outstanding during the years. The Company excluded the effect of stock options from the computation of the net loss per share because including them would have had an anti-dilutive effect.

The following table presents the losses and the shares used in calculating the net loss per share for the years ended December 31:

	December 31	
(in thousands, except per share amounts)	2021	2020
Numerator:		
Net loss attributable to common shareholders	$ (9,965)	$ (265)
Denominator:		
Weighted-average common shares outstanding-basic and diluted	250,356	245,520
Net loss per common share, basic and diluted	$ (0.04)	$ (0.00)

NOTE 10 – SHAREHOLDERS' EQUITY

The Company is authorized to issue two classes of stock designated as common stock and preferred stock. No shares of preferred stock were outstanding for the years ended December 31, 2021 and 2020.

Common stock

As of December 31, 2021, there were 253,621,067 shares of common stock issued and outstanding. At December 31, 2020, there were 247,420,156 shares of common stock issued and outstanding.

Common stock of the Company has no preferences or privileges and is not redeemable. Holders of common stock of the Company are entitled to one vote for each share of common stock held.

Common Shares Reserved for Future Issuance

The following shares of common stock have been reserved for future issuance as of:

	December 31, 2021	December 31, 2020
Common stock options and restricted stock units outstanding	27,628,500	22,541,749
Common stock and restricted stock units available for grant	23,885,495	39,340,211
Total common shares reserved for future issuance	**51,513,995**	**61,881,960**

NOTE 11 – SHARE-BASED COMPENSATION

Effective December 20, 2019 the Company adopted the 2019 Omnibus Incentive Plan (the "2019 Plan") and terminated the Company's authority to grant new awards under the 2006 Stock Plan (the "2006 Stock Plan") and the 2016 Stock Plan (the "2016 Plan"). The 2019 Plan has a total of 46,822,211 shares reserved and available for issuance to employees, directors, and consultants through incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock grants, restricted stock unit grants, performance grants, and other grants, of which 23,885,495 and 39,340,211 shares remained available for grant as of December 31, 2021 and 2020, respectively.

The Board of Directors determines the option exercise price and generally grants stock options at exercise prices that equal or exceed the fair value of the common stock on the date of grant. The terms of the options may not exceed ten years. Vesting terms are determined by the Board of Directors and generally vest over four years, with 25% vesting after 12 months and 75% vesting ratably over the remaining 36 months.

The 2016 Plan and 2006 Plan are shareholder approved plans that authorized shares of the Company's common stock for issuance to employees, directors, and consultants through incentive stock options, non-statutory stock options, or stock purchase right agreements. The Board of Directors determined the option exercise price and generally granted stock options at exercise prices that equal or exceed the fair value of the common stock on the date of grant. The terms of the options may not exceed ten years. Vesting terms generally vest over four years, with 25% vesting after 12 months and 75% vesting ratably over the remaining 36 months. In the first quarter of 2016, the Company terminated the authority to grant new awards under the 2006 Plan.

In determining the fair value of stock options granted to employees, the following assumptions were used in the Black-Scholes option-pricing model for the years ended December 31, 2021 and 2020, respectively:

	2021	2020
Estimated per share value of common stock	\$0.47 - \$1.22	\$0.89 - \$1.00
Risk-free interest rates	0.71% - 0.99%	0.39% - 0.54%
Expected term (in years)	5.43 - 5.60	5.43 - 6.08
Dividend rate	—%	—%
Volatility	71.55% - 79.23%	51.69% - 52.42%

The estimated per share value of common stock was based on the Company's stock price as of each grant date. The risk-free interest rates are based on the implied yield currently available in U.S. Treasury securities at maturity with an equivalent term. The Company estimates the weighted-average expected life of the options to employees based on past option exercise behavior and expectations about future behavior. Forfeiture rates were derived from historical employee termination behavior. Volatility is based on the historical changes in the Company's stock price. The Company has not declared or paid dividends in the past and does not currently expect to do so in the foreseeable future.

The impact on results of operations of recording stock-based compensation expense for the years ended December 31 was as follows:

(in thousands)	2021	2020
Cost of revenue	$ 343	$ 147
Sales and marketing	426	261
Research and development	758	318
General and administrative	360	196
	$ 1,887	**$ 922**

The following table summarizes stock option activity under the Plan for the year ended December 31, 2021:

	Options Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)		Aggregate Intrinsic Value
Outstanding as of January 1, 2021	20,678,749	$	0.35	7.08	$	17,340,842
Options granted	10,719,000		0.70			
Options forfeited	(5,417,562)		0.66			
Options exercised	(5,730,601)		0.13			
Outstanding at Dec 31, 2021	20,249,586	$	0.51	7.81	$	1,458,921
Options vested or expected to vest at December 31, 2021	18,204,689	$	0.49	7.66	$	1,450,747
Exercisable at December 31, 2021	8,379,354	$	0.28	5.95	$	1,360,641

At December 31, 2021 total compensation cost related to stock options granted to employees under the Plan but not yet recognized was $3.2 million, net of estimated forfeitures. This cost will be amortized using the straight-line method over a weighted-average period of approximately 2.9 years. The aggregate intrinsic value represents the difference between the exercise price of the underlying options and the fair value of our common stock for the number of options that were in-the-money at year end. The Company issues new shares of common stock upon exercise of stock options.

The following table summarizes certain information about stock options for the periods ended December 31:

		2021		2020
Weighted average grant date fair value for options granted during the period	$	0.44	$	0.43
Options in the money at period-end		7,430,263		20,678,749
Aggregate intrinsic value of options exercised	$	3,440,533	$	2,768,320

In May 2020, the Company began granting Restricted Stock Units ("RSU") under the plan. The following table summarizes the RSU activity for the twelve months ended December 31, 2021:

	Number of Shares		Weighted Average Grant Date Fair Value
Restricted stock units outstanding as of January 1, 2021	1,863,000	$	1.00
Restricted stock units granted	8,371,000	$	0.71
Restricted stock units vested	(470,318)	$	0.95
Restricted stock units forfeited	(2,579,432)	$	0.96
Restricted stock units unvested as of December 31, 2021	7,184,250	$	0.68

As of December 31, 2021, $3.3 million, net of estimated forfeitures, of total unrecognized compensation cost related to RSU was expected to be recognized over a weighted average period of approximately 3.3 years.

NOTE 12 – LEASES

The Company's leasing arrangements are primarily for corporate offices and automobiles and these arrangements have agreements that include lease components (e.g., fixed rent) and non-lease components (e.g., common area maintenance), which are accounted for as a single component, as management has elected the practical expedient to group lease and non-lease components. Management also elected the practical expedient to keep leases with an initial term of 12 months or less off the balance sheet and recognize the associated lease payments in the consolidated statements of operations on a straight-line basis over the lease term. Our leases have remaining lease terms of 1 to 5 years, some of which include options to extend the lease term for up to an additional 5 years.

As our leases do not provide an implicit rate, management uses the Company's incremental borrowing rate based on the information available at the lease commencement date in determining the present value of the lease payments. For those leases that existed as of January 1, 2021, we used our incremental borrowing rate based on information available at that date. The Company applies a portfolio approach for determining the incremental borrowing rate based on the applicable lease terms and the current economic environment.

	2021	2020
Weighted average remaining lease term (in years) for operating leases	1.9	2.8
Weighted average discount rate	5.9%	5.9%

For the years ended December 31, 2021 and 2020 the Company expensed $1.7 million and $1.8 million, respectively related to operating leases costs. Included in the operating lease expenses are certain variable payments related to common area maintenance and property taxes. Expenses for variable payments were $0.5 million and $0.4 million, respectively, for the years ended December 31, 2021 and 2020. The Company had no finance lease costs or interest on lease liabilities in the years ended December 31, 2021 and 2020.

The following table presents the Company's future lease payments for long-term operating leases as of December 31, 2021:

(in thousands)		Operating Leases
2022	$	1,657
2023		1,359
2024		39
Thereafter		—
Total	$	3,055
Less: Imputed interest		(161)
Total operating lease liabilities	**$**	**2,894**

Cash paid for operating lease liabilities for the years ended December 31, 2021 and 2020 was $1.0 million and $1.5 million, respectively. The Company recorded a $1.3 million non-cash increase to right-of-use assets and operating leases for leases that commenced during the year ended December 31, 2021. Additionally, the Company recorded a $1.1 million non-cash decrease to right-of-use assets and operating leases for a lease that terminated in 2021.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company is not aware of any pending legal proceedings that individually or in the aggregate would have a material adverse effect on the Company's business, operating results, or financial conditions. The Company may in the future be party to litigation arising in the ordinary course of business. Such claims, even if not meritorious, could result in the expenditure of significant financial and managerial resources.

Guarantees and Other

The Company includes indemnification provisions in its contracts entered into with customers and business partners. Generally, these provisions require the Company to defend claims arising out of its products' infringement of third-party intellectual property rights, breach of contractual obligations, and/or unlawful or otherwise culpable conduct. The indemnity obligations generally cover damages, costs, and attorneys' fees arising out of such claims. In most (but not all) cases, the total liability under such provisions is limited to either the value of the contract or a specified, agreed-upon amount. In some cases, the total liability under such provisions is not specified. In many (but not all) cases, the term of the indemnity provision is perpetual. While the maximum potential amount of future payments the Company could be required to make under all the indemnification provisions is unlimited, the Company believes the estimated fair value of these provisions is minimal, as these provisions have never been triggered.

NOTE 14 – DEBT

Loan and Security Agreement

The Company has a loan and security agreement with Comerica Bank ("Lender") that consists of a $15.0 million revolving credit facility (the "Credit Facility"), which is subject to borrowing base limitations, and all outstanding amounts become due and payable on the maturity date of December 31, 2022. The obligations under the Credit Facility are collateralized by substantially all assets of the Company, including intellectual property, receivables and other tangible and intangible assets. The Credit Facility includes affirmative and negative covenants. As of December 31, 2021, the Company was in compliance with all covenants of the Credit Facility.

Interest on outstanding borrowings is at Comerica Bank's Prime Rate plus 0.5% (3.75% at December 31, 2021 and December 31, 2020). No balance was outstanding as of December 31, 2021 and December 31, 2020.

NOTE 15 – BUSINESS COMBINATION

On July 28, 2021 the Company merged with TINYpulse, a Seattle based leader in listening software. The merger allows the Company to expand its' technology offerings and gain traction in the small to medium customer market segment. The TINYpulse products will continue to be offered and supported to existing customers, while also being expanded to new customers and markets. The total consideration transferred related to this transaction was $9.1 million of cash consideration and an additional estimated earnout consideration of $0.9 million. The earnout consideration has defined evaluation periods at six, twelve, and eighteen months after the merger date and will be paid to the pre-merger company if the contracted annual recurring revenue ("CARR") targets are met.

The merger with TINYpulse has been accounted for as a business combination, and assets acquired and liabilities assumed were recorded at their preliminary estimated fair values as of July 28, 2021. Goodwill, which represents the expected synergies from combining the acquired assets and operations of the acquirer, as well as intangible assets that do not qualify for separate recognition, is measured as of the acquisition date as the excess of consideration transferred, which is also measured at fair value, and the net of the fair values of the assets acquired and the liabilities assumed as of the acquisition date.

The financial results of the acquired business are included in the Company's consolidated results from the date of acquisition.

The total preliminary purchase price has been allocated to the assets acquired and liabilities assumed, including identifiable intangible assets, based on their respective fair values at the acquisition date. The total preliminary purchase price was allocated as follows (in thousands):

Assets acquired:		
Cash and cash equivalents	$	83
Accounts receivable		775
Prepaid expenses and other current assets		257
Property and equipment		9
Operating lease right-of-use asset		1,381
Other non-current asset		29
Developed technology and customer relationship intangibles		3,600
Goodwill		7,127
Total assets acquired		**13,261**
Liabilities assumed:		
Trade payables		46
Accrued compensation		721
Accrued expenses and other current liabilities		72
Operating lease right-of-use liability		1,381
Deferred revenue		1,050
Acquisition earnout liability		900
Total liabilities acquired		**4,170**
Net assets acquired	$	**9,091**

The Company utilizes different valuation approaches and methodologies to determine fair value of acquired intangible assets. The amortization period for all intangibles acquired in the TINYpulse merger is 5 years. A summary of the valuation methodologies, significant assumptions, and estimated useful lives of acquired intangible assets in the TINYpulse merger are provided in the table below (in thousands):

Intangible	Assigned Value		Valuation Methodology	Discount Rate	Estimated Useful Life
Technology	$	600	Relief from royalty	18.6%	5 years
Customer relationships		3,000	Multi-period excess earnings	18.6%	5 years

The excess of purchase price over the net identified tangible and intangible assets is $7.1 million and has been recorded as goodwill, which includes synergies expected from the new customer segments and additional software capabilities.

NOTE 16 – SUBSEQUENT EVENTS

The Company has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through February 23, 2022, the date the consolidated financial statements were available to be issued.

Additional Securities Exchange Information

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 10 February 2022 (**Reporting Date**).

CORPORATE GOVERNANCE STATEMENT

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (**Recommendations**) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (**Corporate Governance Statement**).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Limeades' website at https://investors.limeade.com/investor-relations/?page=corporate-governance and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Limeade and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Limeade's website https://investors.limeade.com/investor-relations/?page=corporate-governance

SUBSTANTIAL HOLDERS

As at the Reporting Date, the names of the substantial holders of the Company and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to the Company, are as follows:

Holder of Equity Securities	Class of Equity Securities	Number of Equity Securities held	% of total issued securities capital in relevant class
Henry Albrecht	CDI's	40,311,485	15.97%
Perennial Value Management Ltd	CDI's	36,970,661	14.64%
TVC Capital II LP	CDI's	36,658,282	14.52%
Australian Ethical Investment	CDI's	28,034,246	11.05%
Oak HC/FT Partners LP	CDI's	27,380,178	10.84%

NUMBER OF HOLDERS AND SECURITIES

Limeade Inc. has issued the following securities:

- 252,682,360 CDI's
- 1,074,900 Fully Paid Ordinary Shares (not quoted)
- 7,851,901 Restricted Stock Units
- 21,786,117 Options

As at the Reporting Date, the number of holders in each class of equity securities is as follows:

Class of Equity Securities	Number of holders
Chess Depositary Interest (CDI)	1,451
Fully Paid Ordinary Shares (not quoted)	3

Additional Securities Exchange Information (cont.)

VOTING RIGHTS OF EQUITY SECURITIES

Ordinary Shares

The voting rights attached to ordinary shares are that each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

CDI's

In accordance with section 9 of the Company's Prospectus dated 2 December 2019, CDI holders have the following options to attend and vote at the Company's general meeting;

- instructing CDN, as the legal owner, to vote the Shares underlying their CDIs in a particular manner. A voting instruction form will be sent to CDI holders with the notice of meeting for the meeting and this must be completed and returned to the Registry prior to the meeting;
- informing Limeade that they wish to nominate themselves or another person to be appointed as CDN's proxy with respect to their Shares underlying the CDIs for the purposes of attending and voting at the general meeting; or
- converting their CDIs into a holding of Shares and voting these at the meeting (however, if thereafter the former CDI holder wishes to sell their investment on ASX, it would be necessary to convert the Shares back to CDIs). In order to vote in person, the conversion must be completed prior to the record date for the meeting. See above for further information regarding the conversion process.

As one CDI represents one Share, a CDI holder will be entitled to one vote for every CDI they hold.

Options

Option holders do not have any voting rights on the options held by them.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

The distribution of holders of equity securities on issue in the Company as at the Reporting Date is as follows:

Ranges	Investors	Securities	% Issued Capital
1 to 1000	457	263,980	0.10%
1001 to 5000	657	1,525,516	0.60%
5001 to 10000	124	954,393	0.38%
10001 to 100000	129	3,939,677	1.55%
100001 and Over	86	247,073,694	97.37%
Total	**1454**	**253,757,260**	**100.00%**

LESS THAN MARKETABLE PARCELS OF ORDINARY SHARES (UMP SHARES)

The number of holders of less than a marketable parcel of CDI's (1,344) based on the closing market price at the Reporting Date ($0.375) is as follows:

Total Shares	UMP Shares	UMP Holders	% of issued shares held by UMP holders
252,682,360	432,007	600	0.18

TWENTY LARGEST STOCKHOLDERS OF QUOTED EQUITY SECURITIES

Rank	Name	Balance as at Reporting Date	% Issued Capital
1	Citicorp Nominees Pty Limited	54,261,923	21.38
2	National Nominees Limited	46,117,818	18.17
3	TVC Capital II LP	35,618,770	14.04
4	Oak HC/Ft Partners L.P	27,380,178	10.79
5	BNP Paribas Nominees Pty Ltd	12,330,835	4.86
6	J P Morgan Nominees Australia Pty Limited	10,100,537	3.98
7	HSBC Custody Nominees (Australia) Limited	5,975,512	2.35
8	Erick Rivas	4,624,499	1.82
9	Carl Albrecht + Mollie Albrecht	3,019,728	1.19
10	Wright Dickinson	2,909,568	1.15
11	Richard R Albrecht	2,585,156	1.02
12	Christopher Dickinson	2,427,520	0.96
13	Christopher Ackerley + Diana Ackerley	2,288,616	0.90
14	CS Fourth Nominees Pty Limited	2,286,596	0.90
15	Hugh Reilly III	1,854,068	0.73
16	Christopher Ackerley	1,827,744	0.72
17	CS Third Nominees Pty Limited	1,637,473	0.65
18	Merrill Lynch (Australia) Nominees Pty Limited	1,519,472	0.60
19	Accbell Nominees Pty Ltd	1,218,274	0.48
20	Brock Robertson + Hannah Robertson	1,094,662	0.43
	Top 20 Total	**221,078,949**	**87.12**
	Balance	**32,678,311**	**12.88**
	Total	**253,757,260**	**100.00**

ESCROW

Class of restricted securities	Type of restriction	Number of securities	End date of escrow period
CDI's	Voluntary escrow	27,554,754	The next business day following release of the preliminary final report for the period ending 31 December 2021

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Corporate Directory

Company & Headquarters

Limeade, Inc.
10885 NE 4th Street,
Suite 400
Bellevue, Washington 98004, United States

Directors

Elizabeth Bastoni, Chair & Non-Executive Director
Cameron Judson, Non-Executive Director (retired 18 June 2021)
Lisa MacCallum, Non-Executive Director
Chris Ackerley, Non-Executive Director
Henry Albrecht, Chief Executive Officer & Executive Director
Steve Hamerslag, Non-Executive Director
Mia Mends, Non-Executive Director
Deven Billimoria, Non-Executive Director (appointed 18 June 2021)

Company Secretary

Todd Spartz, Chief Financial Officer

ASX Representative

Danny Davies
Company Matters Pty Ltd
Level 12, 680 George Street
Sydney NSW 2000

Phone: +61 2 9105 1106

Unites States Registered Office

Limeade, Inc.
10885 NE 4th Street,
Suite 400
Bellevue, Washington 98004, United States

Phone: +1 888 830 9830

Australian Registered Office

c/o EAH
Suite 12, Level 12
37 Bligh Street
Sydney, NSW

Phone: +61 2 4324 7711

Independent Auditor

Deloitte & Touche LLP
925 Fourth Avenue
Suite 3300
Seattle, Washington 98104, United States

Australian Share Registry

Link Market Services Limited
Level 12, 680 George Street
Sydney, New South Wales 2000, Australia

Phone: +61 2 9287 0303

United States Share Registry

American Stock Transfer and Company, LLC
6201 15th. Avenue
Brooklyn, New York 11219, Unites States

Phone: +1 718 921 8300

Investor Relations

Dr Tom Duthy

Nemean Group Pty Ltd for Limeade
thomas.duthy@limeade.com

Phone: +61 402 493 727

Securities Exchange Listing

Limeade, Inc. shares are listed on the Australian Securities Exchange (ASX code: LME)

Corporate Website

https://www.limeade.com

Corporate Governance Statement

https://investors.limeade.com/investor-relations/?page=corporate-governance

Limeade®