

LifeSpeak Inc.



Management's Discussion and Analysis
for the three months ended March 31, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Basis of Presentation

As used in this management's discussion and analysis ("MD&A"), unless the context indicates or requires otherwise, all references to the "Company", "LifeSpeak", "we", "us" or "our" refer to LifeSpeak Inc. together with our subsidiaries, on a consolidated basis as constituted on March 31, 2024. Please refer to the section "*Meaning of Certain Terms*" in this MD&A for definitions of capitalized terms.

This MD&A has been prepared for the three months ended March 31, 2024 and 2023 and discusses the Company's financial performance, business overview, strategy and outlook from management's viewpoint. This MD&A should be read in its entirety and is intended to complement and supplement, and should be read with, the Company's unaudited interim condensed consolidated financial statements, along with the related notes thereto for the three months ended March 31, 2024 and 2023 ("Financial Statements") as well as with the Company's audited annual consolidated financial statements and the notes thereto for the year ended December 31, 2023 and 2022. The financial information presented in this MD&A is derived from the Financial Statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Additional information about the Company, including its annual information form ("AIF") is available under our profile on the System for Electronic Document Analysis and Retrieval+ ("SEDAR+") at www.sedarplus.ca.

All dollar amounts in this MD&A are presented in Canadian dollars unless otherwise stated. All percentages are calculated using the rounded numbers as they appear in the tables.

This MD&A is dated as of May 7, 2024.

Forward-Looking Information

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. This forward-looking information is identified by the use of terms and phrases such as "forecast", "target", "goal", "may", "might", "will", "could", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements, including references to assumptions, although not all forward-looking information contains these terms and phrases. In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding possible future events or circumstances.

This forward-looking information includes, among other things, statements relating to: expectations regarding industry trends, overall market growth rates and our growth rates and growth strategies; our geographic growth in Canada, the United States and Europe; the growth of our sales team; addressable markets for our solution; growing demand for digitally-delivered wellbeing resources and prioritization of health technology solutions; our ability to use our technology to enhance and expand our products and services; expectations regarding our revenue and the revenue generation potential of our solution; our business plans, objectives, strategies; our pursuit of acquisitions; and our ability to meet our future financial obligations. Particularly, information regarding the Company's expectations of future results, performance, synergies, achievements, prospects or opportunities or the markets in which we operate, the TSX's remedial delisting review of the Company's common shares, of certain amounts owed under the Term Loan Commitment and Convertible Term Loan (including the form of repayment), potential future common share issuances to satisfy these amounts owed and negotiations around the refinancing of its Term Loan Commitment is forward-looking information.

This forward-looking information and other forward-looking information are based on our opinions, estimates and assumptions in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. These opinions, estimates and assumptions include, but are not limited to, the following: our ability to build our market share and enter new geographies; the total available market for our products; our ability to retain key personnel; our ability to maintain and expand geographic scope; our ability to execute on our expansion plans; our ability to continue investing in infrastructure to support our growth and brand recognition; our ability to integrate our acquisitions; our ability to continue maintaining and enhancing our technological infrastructure and functionality of our platform; our ability to obtain financing on acceptable terms; the ability of the Company to satisfy its obligations in the form anticipated when due; the average contract sizes in respect of future enterprise clients and embedded solutions clients will align with our recent historical experiences; the size of clients we continue to pursue will be similar in size or larger than our historical clients; the impact of competition; the changes and trends in our industry or the global economy; and changes in laws, rules, regulations, and global standards.

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risk factors described in greater detail under “*Risk Factors*” in the AIF and those relating to:

- our ability to execute our growth strategies;
- the addressable markets for our services;
- expectations regarding the revenue generation potential of our services;
- our business plans and strategies;
- the Company’s ability to operate its business and effectively manage its growth under evolving macroeconomic conditions, such as high inflation and recessionary environments;
- an economic slowdown causing a decline in demand for our solutions;
- our expectations regarding certain of our future results, including, among others, revenue, expenses, sales growth, expenditures, operations and use of future cash flow;
- decisions made by the Company’s lenders and the TSX;
- our ability to execute on our strategic growth priorities and to successfully integrate acquisition targets; and
- our competitive position in our industry.

If any of these risks or uncertainties materializes, or if the opinions, estimates, or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The risks, uncertainties, opinions, estimates, and assumptions referred to above and described in greater detail in “*Risk Factors*” in the AIF should be considered carefully by prospective investors.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not currently known to us or that we currently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be

accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, prospective investors should not place undue reliance on forward-looking information. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as the date it is otherwise stated to be made) and is subject to change after such date. However, we disclaim any intention or obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable Canadian securities laws.

Cautionary Note Regarding Non-IFRS Measures, non-IFRS Ratios and Key Performance Indicators

This MD&A makes reference to certain non-IFRS measures and key performance indicators. These measures are not standardized financial measures under IFRS as issued by the IASB and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. We use non-IFRS measures, including **"EBITDA"**, **"Adjusted EBITDA"**, **"Adjusted Net Income (Loss)"**, and the non-IFRS ratios, including **"Adjusted earnings (loss) per share – basic"**, **"Adjusted earnings (loss) per share – diluted"** and **"Adjusted EBITDA Margin"**. This MD&A also makes reference to **"Annual Recurring Revenue"** or **"ARR"**, **"embedded solutions client and other ARR"**, **"enterprise client ARR"**, **"Net Dollar Retention Rate"**, **"Number of Clients"** and **"Logo Retention Rate"**, which are key performance indicators used in our industry. These non-IFRS measures, non-IFRS ratios and key performance indicators are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. The Company also believes that securities analysts, investors, and other interested parties frequently use non-IFRS measures, non-IFRS ratios and key performance indicators in the evaluation of issuers. The Company's management also uses non-IFRS measures, non-IFRS ratios and key performance indicators in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts, and to determine components of management and executive compensation. The key performance indicators used by the Company may be calculated in a manner different than similar key performance indicators used by other companies.

Non-IFRS Measures¹ and Non-IFRS Ratios

"Adjusted loss per share – basic" is defined as Adjusted Net Income (Loss) divided by the weighted average number of shares outstanding – basic for the relevant period.

"Adjusted loss per share – diluted" is defined as Adjusted Net Income (Loss) divided by the weighted average number of shares outstanding – diluted for the relevant period.

"Adjusted EBITDA" is defined as EBITDA before acquisition and other costs, share based compensation, foreign exchange loss (gain), impairment, changes in fair value of contingent consideration, synergies realized and additional one time items. These non-cash and/or non-recurring costs are independent events and incurred over several financial periods.

"Adjusted EBITDA Margin" is calculated as Adjusted EBITDA divided by revenue for the relevant period.

"Adjusted Net Income (Loss)" is defined as net income (loss) before acquisition and other costs, share based compensation, foreign exchange loss (gain), impairment, changes in fair value of contingent consideration, synergies realized and additional one time items. These non-cash and/or and non-recurring costs are independent events and incurred over several financial periods.

¹ For a reconciliation of the non-IFRS financial measures see *"Non-IFRS Measures and Reconciliation of Non-IFRS Measures"*.

“EBITDA” is defined as net income (loss) or loss before income tax recovery, finance expenses, net and amortization and depreciation.

Key Performance Indicators

“**Annual Recurring Revenue**” or “**ARR**” is equal to the annualized value of contracted recurring revenue from all clients of our platform at the date being measured. Contracted recurring revenue is revenue generated from clients who are, as of the date being measured, party to contracts with LifeSpeak. Such revenue is annualized by: (i) in the case where a contract was in existence for the entire month, multiplying recognized revenue in the calendar month of the date measured by 12; and (ii) in the case where a contract was entered into mid-month, extrapolating recognized revenue at the date measured for the entire calendar month, and then multiplying by 12. Contract lengths typically range from one to three years and, based on our past experience, the vast majority of clients renew their contracts upon expiry. ARR is mainly comprised of revenue from enterprise and embedded solutions and includes revenue from small business and ancillary services (comprised of portals, kits and events purchased by our existing clients or distributed through our channel partners). ARR provides a consolidated measure by which we can monitor the longer-term trends in our business.

“**embedded solutions client and other ARR**” is ARR at a particular date attributable to our embedded solutions clients and ARR associated with clients who are not of sufficient size to be considered enterprise clients.

“**enterprise client ARR**” is ARR at a particular date attributable to enterprise clients.

“**Logo Retention Rate**” for a period is defined by considering a cohort of clients at the beginning of the period, and dividing the Number of Clients from that cohort at the end of the period, by the Number of Clients from that cohort at the beginning of the period. Logo Retention Rate provides a consolidated measure by which we can monitor the percentage of contracted clients retained every year.

“**Net Dollar Retention Rate**” for a period is defined by considering a cohort of clients at the beginning of the period, and dividing the ARR from enterprise and embedded solutions attributable to that cohort at the end of the period, by the ARR from enterprise and embedded solutions attributable to that cohort at the beginning of the period. Net Dollar Retention Rate provides a consolidated measure by which we can monitor the percentage of recurring ARR retained from existing clients. Net Dollar Retention Rate – Enterprise refers to Net Dollar Retention rate attributable to our Enterprise Clients.

“**Number of Clients**” is defined as the number of clients at the end of any particular period as the number of enterprise clients and clients of our embedded solutions for which the term of services has not ended, or with which we are negotiating contract renewal and which meet a minimum revenue threshold.

Business Overview

LifeSpeak is a leading software-as-a-service (“SaaS”) provider of whole-person wellbeing solutions for employers, health plans, and other organizations. LifeSpeak’s suite of digital solutions allows organizations to provide best-in-class content and expertise at scale, empowering individuals to live their healthiest lives. With a flexible portfolio of solutions, including LifeSpeak Mental Health & Resilience, LIFT session Fitness, ALAViDA Substance Use, Torchlight Parenting & Caregiving, and Wellbeats Wellness, LifeSpeak offers support across every pillar of wellbeing. Insights from LifeSpeak’s digital and data-driven solutions uncover gaps in wellbeing at the individual and organizational levels, ultimately enhancing workplace performance outcomes. We apply technology to the interconnected worlds of mind and body wellbeing to help organizations improve their employees’, members’, and customers’ total wellbeing in a cost-effective and highly engaging manner. Our solutions include digital mental health learning resources; physical wellbeing resources; caregiver support resources; and digital cognitive behavioral therapy (“CBT”) health solutions for substance use disorders (“SUD”). Currently, we serve over 980 diverse clients globally, including Fortune 500 companies, government agencies, insurance providers and other health technology firms across the globe. At its core, LifeSpeak aims to provide all educational content and technologies necessary to improve tools for other organizations to offer to their own customers. Our product verticals include:

- **Mental Health and Total Wellbeing:** Our curated content library offers digital educational resources including easily consumable videos, podcasts and articles developed by leading experts. Our mental health and total wellbeing educational solution serves as a first point of contact for individuals seeking educational resources to approach any issue they are facing, and as an early-stage preventative tool addressing a broad and deep range of topic areas from depression to stress management to financial health.
- **Physical Wellbeing resources:** Our digital fitness platform, delivered through our Wellbeats and LIFT session brands, is designed to promote employees' physical health by offering an on-demand workout library, automated and live sessions in areas including general fitness, mindfulness, cardio, strength, yoga, pre-natal, Pilates, and many more. In addition to physical fitness, our library contains nutrition support. Our physical wellbeing tools are designed to be inclusive of all abilities and skill levels.
- **Caregiver Support:** Our caregiving support platform, delivered through our Torchlight brand, offers step-by-step guidance on an array of caregiving topics to solve complex family challenges. Our expert content, caregiving knowledge base, one-on-one advising, and concierge services coalesce to reduce caregiver stress and improve outcomes regardless of age, stage, or concern.
- **Health solutions for substance use disorders ("SUD") resources:** Our SUD treatment platform, delivered through our ALAViDA brand, provides on-demand substance use support through the privacy of an individual's smartphone and self-guided resources available anytime, anywhere. Individuals can easily access board-certified SUD physicians, medication-assisted therapy, assessments, personalized treatment plans, care coordination, and reporting.

Our technology is highly flexible, scalable and configurable to our clients' needs, and can be easily deployed on its own or seamlessly integrated with existing client software. This flexible and scalable nature of our solutions enables us to sell it directly through our (i) own sales force, (ii) referral channel partners, such as benefit and health providers, that both resell and cross-sell our platform and (iii) embedded solutions clients, such as insurance firms, that either integrate our platform into their existing offering or provide our platform as a specific add-on service. The end-users of our platform are generally employees of our clients secured by our direct sales force or through our referral partners, customers of our embedded solutions clients, and immediate family members of these users. Our overall solution encourages high user engagement, delivers our deep and broad content in a cost-effective scalable manner, and, we believe, inspires users to achieve their mental, physical and total wellbeing goals. In particular, we believe our mix of the following three attributes drives our client success:

- **Scalable technology.** We have a highly flexible, scalable and configurable platform that can be mass-customized to a particular client's needs. We strategically created a proprietary system that can be quickly configured by non-technical personnel. This approach enables us to deliver each of our clients their very own "tailored" version of our platform, which includes their choice of design, content and method of integration – what we call a client's "instance". As a result, our proprietary system can be configured to meet the needs of a diverse set of users and clients at scale, and is easily deployed either on its own, or in tandem with other programs.
- **Curated proprietary content.** We believe our proprietary library's depth and breadth of easily consumable content, including expert-led videos, is a key point of differentiation. Our highly engaging resources include videos, podcasts and articles, from experts that cover a wide scope of topics. This enables LifeSpeak to serve a diverse user base. Our key topic areas speak to all aspects of an individual's life.
- **Client services program.** Our client services team provides clients with dedicated assistance to launch our solution and perform ongoing proactive support. Our team ensures that we are able to weave LifeSpeak into the fabric of the client's mental health and total wellbeing program. In addition to the day-to-day client support activities, our client services team also provides keen insights during the client renewal process and sells additional services during the contract term.

On July 6, 2021, the Company completed its Initial Public Offering (“IPO”) and its shares began trading on the Toronto Stock Exchange “TSX” under the symbol “LSPK”.

Summary of Factors Affecting our Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges, some of which are discussed below and under “*Risk Factors*” in the AIF.

Employer Healthcare Spending

According to the 2022 Willis Towers Watson Best Practices in Health Care Employee Survey (the “WTW Survey”), over the next three years, over two-thirds of employers surveyed (67%) reported that they will be prioritizing health technology solutions as they seek to support the 2 out of 5 employees who suffer from some form of anxiety or depression. Employers are striving to guide their employees toward more impactful and efficient care, and away from potentially wasteful legacy services. In particular, employers noted that they are focused on providing employees with apps and connected devices to help manage different health conditions including physical sickness and mental health related issues. The number of companies offering these types of tools has increased significantly, from 31% in 2019 to 68% in 2022, and this trend is expected to continue.

New and Developing Markets

LifeSpeak offers a globally applicable platform and has begun building the technology infrastructure to support multiple languages and interfaces. We have gained significant traction in the North American market (Canada and the U.S.) and have been receiving increased global demand for our solutions. Our platform navigation currently supports English, French and Spanish languages as well as subtitles for many other languages. Our near-term focus will be on continued expansion in Canada and the U.S. as well as select European countries, which will increase our addressable market. We have invested, and will continue to invest, in sales personnel in Europe.

Embedded Solutions Growth

A component of LifeSpeak’s revenue growth strategy comes from growing sales of embedded solutions. Potential embedded solutions clients include employee health insurers, property and casualty insurers and EAPs each of which serve hundreds of thousands to millions of potential end-users. Our embedded solutions client model allows us to leverage the sales teams of other providers to expand LifeSpeak’s offering into their client base. We have built a partnerships sales team to pursue partners for embedded solutions and cultivate relationships across the industry. Embedded solutions client opportunities follow a “land and expand” model, where revenues often start small and then reach full contract value over time.

Enterprise Growth

LifeSpeak primarily reaches new enterprise clients through our direct sales team and through partner relationships, either as a referral or reseller. Our product is easy to demonstrate through virtual product demonstrations and offers many relevant and relatable topics which allows for a direct sales model that resonates well with our clients. Our performance is impacted by our ability to renew contracts with existing clients. We are confident in our ability to renew based on the utilization and employee engagement with our solution. We expect to continue to expand the sales team to capitalize on new opportunities.

Production Costs

We believe our depth and breadth of easily consumable content is a key point of differentiation and we intend to continue to produce and curate content to grow our library and ensure we maintain this differentiation. LifeSpeak compensates its leading experts and covers all production costs associated with content curation. Investments in production are important to ensure LifeSpeak’s content remains relevant and covers a wide range of topics, and we have a full content production studio and team, allowing us to produce content at any time quickly and efficiently.

Sales Team and Employees

Our ability to achieve significant growth in future revenue will largely depend upon the effectiveness of our sales and marketing efforts, both in our domestic market and internationally. We have a diversified go-to-market strategy, and we believe the strength of our sales and marketing team is critical to our success. We have invested and intend to continue to invest in expanding our sales force, and we anticipate that our headcount and personnel-related expenses will continue to increase as a result of these investments, in advance of revenue growth.

Foreign Currency

The Company's functional and presentation currency is Canadian dollars even though many the Company's sales are in U.S. dollars. As a result, our performance may be adversely impacted by an increase in the value of the Canadian dollar relative to the U.S. dollar.

Economic Activity

General economic conditions may affect our results of operations and financial condition. Demand for our products depends in large part upon the level of overall investment in wellness by many of our clients. Decreased operational spending could have an adverse effect on the demand for our platform, results of operations, cash flow and overall financial condition. In particular, we have experienced in certain instances, and we believe we will continue to experience, longer sales cycles or generally increased scrutiny on spending from existing and potential customers due to the current macroeconomic uncertainty. We cannot be certain how long these uncertain macroeconomic conditions and the resulting effects on our industry, our business strategy, and customers will persist. In addition to Foreign Currency risk, the business also has exposure to interest rates. In an inflationary environment both could impact operations. The Company is active in risk management in both areas.

Key Components of Results of Operations

Revenue

Our revenue is primarily generated from the sale of annual and multi-year platform subscriptions, which as of March 31, 2024 were sold to 914 clients around the world.

We currently generate revenue in three main ways:

1. **Enterprise:** Enterprise clients make up the largest number of our clients. We typically charge an annual subscription fee, with clients typically paying a flat fee enterprise subscription in a lump sum at the beginning of each program year, there are also some clients that prefer to pay a monthly subscription fee. Many of our enterprise clients have multi-year subscription contracts. Our sales to enterprise clients are typically generated in two ways, (i) direct sales, we generate sales from our own marketing efforts, in the form of direct calling, lead generation campaigns, and general branding, and (ii) resellers & channel referrals, we also generate sales through a network of resellers and channel referral partners, such as brokers, health benefit providers, insurance companies, consultants, and others, who may sell to a client directly based on guidelines in an agreement between us and a reseller, or receive a commission for the introduction and assistance in the sale.
2. **Embedded Solutions:** When LifeSpeak is included in our embedded solutions clients' platform, they typically sell their product to an end consumer, our product is automatically included or provided as an add-on. Embedded solutions clients include EAPs, other health technology vendors, small business aggregators, insurance companies, and other third-parties looking to differentiate their online service. We typically invoice on a PMPM (per member per month) basis where the number of people with access to LifeSpeak in the past month drives the fee amount for that month. Many of our embedded solutions clients have multi-year subscription contracts ranging from one to three years, with the standard contract length being three years.

3. Upgrades: We generate revenue from existing clients as we charge fees for upgrades to more content, additional products (cross-sell), additional features, events, such as our “Mental Health Marathons”, “Mindful Moments”, live group sessions, and our “Virtual Rehab” program.

Content Development Costs

Content development costs consist primarily of content curation costs such as video production costs and delivery costs, speakers and expert remuneration, translation costs and telecommunication costs, as it relates to the resources on our platform. Content development costs do not include costs relating to amortization and depreciation of technology or employee compensation for platform engineers and developers.

Operating Expenses

Sales and marketing

Sales and marketing expenses consist primarily of employee expenses and marketing expenses focused on business development. Other costs within sales and marketing expenses include tradeshow, conferences, commissions and travel related expenses.

General and administrative

General and administrative expenses consist primarily of employee expenses in our corporate and client operations, finance, administrative, human resources and development teams. In addition, costs for account onboarding, management and reporting are included. Other costs within general and administrative expenses include professional fees, supplies, and other corporate expenses.

Share-based compensation

We grant stock options to our directors, officers and employees for performance of services, which are measured at fair market value at the time of the grant. In addition, we grant certain other share-based compensation such as restricted share units (“RSUs”). Share-based compensation expense is recognized over the vesting period, which is the period over which all the specified vesting conditions are satisfied.

Foreign exchange loss (gain)

Foreign exchange loss (gain) generally relates to the translation of monetary assets and liabilities denominated in foreign currencies being translated into Canadian dollars, our functional currency, at the foreign exchange rate applicable at the end of each period.

Amortization and depreciation

Amortization and depreciation expense primarily relates to depreciation on property and equipment and amortization of right-of-use assets and intangible assets. Property and equipment are comprised of furniture and office equipment and leasehold improvements. Right-of-use assets are comprised of capitalized leases. Intangible assets are comprised of acquired intangible assets.

Other Expenses

Changes in fair value of contingent consideration

Contingent consideration for acquisitions is initially measured at fair value based on management’s best estimate of the probability of the attainment of specified targets. Changes in fair value of contingent consideration results from contingent consideration being subsequently revalued at each financial reporting period-end.

Finance expense, net

Finance expense, net is comprised primarily of interest incurred on lease obligations, interest on our borrowing, bank fees, fair value loss on derivative liability and loss on modification of borrowings.

Income tax recovery

Income tax recovery comprises current and deferred tax recoveries. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Consolidated Business Highlights for the Three Months Ended March 31, 2024

- Revenue for the three months ended March 31, 2024 was \$12.4 million, a decrease of \$1.0 million or 7% compared to the three months ended March 31, 2023.
- Net loss was \$1.6 million for the three months ended March 31, 2024, an increase from a net loss of \$354,000 in the comparable prior year period. The increase in net loss for the three months ended March 31, 2024 is primarily due to the gain from changes in fair value of contingent consideration in 2023 offset by the change in foreign exchange loss (gain).
- ARR was \$48.4 million as at March 31, 2024, a decrease of 9.2% over the same date in 2023.
- Adjusted Net Loss for the three months ended March 31, 2024 was \$2.7 million, a decrease of \$934,000 compared to the three months ended March 31, 2023.
- Adjusted EBITDA for the three months ended March 31, 2024 was \$2.7 million, a decrease of \$987,000 compared to the three months ended March 31, 2023.
- Total Number of Clients decreased to 914, compared to 990 at the same time last year.
- In March 2024, the Company completed a private placement, issuing 8,224,896 common shares for \$0.60791 per share for total proceeds of \$5.0 million. The proceeds of the private placement were used to repay a portion of the Company's outstanding debt.

Operating Results Summary

The following table sets out a summary of our results of operations for the three months ended March 31, 2024:

Selected Consolidated Financial Information <i>(In thousands of Canadian dollars)</i>	Three Months Ended March 31,	
	2024	2023
Revenue.....	12,401	13,396
Content development costs.....	1,283	1,322
	<u>11,118</u>	<u>12,074</u>
<i>Operating expenses:</i>		
Sales and marketing.....	2,640	2,700
General and administrative.....	6,057	6,447
Share-based compensation	548	1,466
Foreign exchange loss (gain).....	(1,789)	50
Amortization and depreciation	<u>3,503</u>	<u>4,016</u>
	<u>10,959</u>	<u>14,679</u>
Loss from operations	<u>159</u>	<u>(2,605)</u>

Changes in fair value of on contingent consideration	-	(3,551)
Finance expense, net.....	2,477	2,195
Loss before income taxes	(2,318)	(1,249)
Income taxes recovery	(715)	(894)
Net Loss	(1,603)	(355)
Loss per share - basic	(0.03)	(0.01)
Loss per share- diluted.....	(0.03)	(0.01)
Non-IFRS Measures and Non-IFRS Ratios		
EBITDA ⁽¹⁾	3,661	4,963
Adjusted EBITDA ⁽²⁾	2,695	3,682
Adjusted Net Loss ⁽³⁾	(2,570)	(1,635)
Adjusted loss per share – basic ⁽⁴⁾	(0.05)	(0.03)
Adjusted loss per share – diluted ⁽⁵⁾	(0.05)	(0.03)

Notes:

- (1) “**EBITDA**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.
- (2) “**Adjusted EBITDA**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.
- (3) “**Adjusted Net Loss**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.
- (4) “**Adjusted loss per share – basic**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.
- (5) “**Adjusted loss per share – diluted**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.

Analysis of the Three Months Ended March 31, 2024 and 2023

Revenue

<u>(In thousands of Canadian dollars)</u>	<u>Three Months Ended March 31,</u>	
	2024	2023
Revenue.....	12,401	13,396

Total revenue for the three months ended March 31, 2024 was \$12.4 million, a decrease of \$1.0 million, or 7%, compared to the same period in 2023. The revenue decrease was primarily attributable to customer churn, inclusive of certain entities repositioning programs or losing funding, partially offset by new customer additions.

Content development costs

Total content development costs of \$1.3 million for the three months ended March 31, 2024, decreased by \$38,000, compared to the same period in 2023. The decrease was primarily due to headcount synergies realized during the period.

Revenue less content development costs

<u>(In thousands of Canadian dollars)</u>	<u>Three Months Ended March 31,</u>	
	2024	2023
Revenue less content development costs	11,118	12,074
Revenue less content development costs as a percentage of revenue	90%	90%

Revenue less content development costs for the three months ended March 31, 2024 decreased by \$1.0 million, or 8%, compared to the same period in 2023. This decrease in revenue less content development costs was primarily due to

a decrease in revenue of \$1.0 million for the period. Revenue less content development costs as a percentage of revenue for the three months ended March 31, 2024 remained consistent with the comparable period.

Sales and marketing

Sales and marketing expenses for the three months ended March 31, 2024 decreased by \$60,000, or 2%, to \$2.6 million compared to \$2.7 million for the same period in 2023. The decrease was primarily due to headcount synergies realized during the period.

General and administrative

General and administrative expenses for the three months ended March 31, 2024 decreased by \$390,000, to \$6.1 million compared to \$6.4 million for the same period in 2023. The Company continues to focus on managing costs, realizing synergies and streamlining processes which resulted in lower general and administrative costs.

Share-based compensation

Share-based compensation expenses decreased from \$1.5 million to \$548,000 for the three months ended March 31, 2024. The decrease relates to timing of expense recognition in relation to past grants.

Foreign exchange loss (gain)

Foreign exchange gain of \$1.8 million for the three months ended March 31, 2024 increased by \$1.8 million, compared to a foreign exchange loss of \$50,000 for the same period in 2023. The change in foreign exchange loss (gain) is primarily attributable to the change in Canadian dollar compared to the U.S. dollar for the periods presented.

Amortization and depreciation

Amortization and depreciation expense for the three months ended March 31, 2024, decreased by \$500,000, to \$3.5 million, compared to \$4.0 million for the same period in 2023. The decrease was primarily due to the impairment of intangible assets recognized as of December 31, 2023.

Finance expense, net

Finance expense increased by \$281,000 for the three months ended March 31, 2024, to \$2.5 million compared to \$2.2 million for the same period in 2023. The increase in expense is primarily related to interest payments on the senior term loan due to changes in prime interest rates during the year.

Net loss

Net loss for the three months ended March 31, 2024 increased by \$1.2 million, to a net loss of \$1.6 million, compared to a net loss of \$354,000 for the same period in 2023. The increase in net loss for the three months ended March 31, 2024 is primarily due to the gain from changes in fair value of contingent consideration of \$3.6 million in 2023 offset by the change in foreign exchange loss (gain) of \$1.8 million.

Summary of Quarterly Results

The following table sets forth selected unaudited quarterly statements of operations data of the eight quarters ended March 31, 2024. This data should be read in conjunction with our audited annual consolidated financial statements and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

Selected Consolidated Financial Information

	Three Months Ended ⁽¹⁾			
	Mar 31, 2024	Dec 31, 2023	Sept 30, 2023	June 30, 2023
<i>(In thousands of Canadian dollars)</i>				
Revenue.....	12,401	12,949	12,898	13,164
Content development costs.....	1,283	1,285	1,264	1,215
Operating expenses.....	8,697	9,401	8,706	9,646
Net loss	(1,604)	(17,674)	(1,982)	(6,251)
Loss per share – basic.....	(0.03)	(0.35)	(0.04)	(0.12)
Loss per share – diluted.....	(0.03)	(0.35)	(0.04)	(0.12)

Selected Consolidated Financial Information

	Three Months Ended ⁽¹⁾			
	Mar 31, 2023	Dec 31, 2022	Sept 30, 2022	June 30, 2022
<i>(In thousands of Canadian dollars)</i>				
Revenue.....	13,396	13,755	12,766	12,139
Content development costs.....	1,322	1,158	1,179	1,152
Operating expenses.....	9,147	9,772	9,147	10,483
Net loss	(354)	(24,543)	(1,406)	(6,457)
Loss per share – basic.....	(0.01)	(0.53)	(0.03)	(0.13)
Loss per share – diluted.....	(0.01)	(0.53)	(0.03)	(0.13)

Notes:

- (1) Figures are derived from the Company's unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024 and 2023, for the six months ended June 30, 2023 and 2022, the nine months ended September 30, 2023 and 2022 and Fiscal 2023 and Fiscal 2022.

Revenue

Our quarterly revenue has increased slightly since Q2 2022 due largely to a transition to higher contract value customers. Throughout the past eight quarters, there has also been some impacts from one-time revenue, most notably in Q4 2022. Since Q1 2023 there has been a decrease in quarterly revenue largely due to customer churn, inclusive of repositioning of certain customer programs or program funding changes.

Content development costs

Our total quarterly content development costs remained relatively consistent for all periods presented. Content development costs vary slightly depending on the timing of content creation.

Operating expenses

Operating expenses have decreased since 2022. During 2023 and 2024 the Company continued to manage costs by integrating the acquired entities, realizing synergies in both headcount and other expenses.

Key Performance Indicators

We monitor the following key performance indicators to help us evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

	As at March 31, 2024	As at March 31, 2023	Change	
			\$/#	%
Annual Recurring Revenue ⁽¹⁾	48,434	53,312	(4,878)	(9%)
Net Dollar Retention Rate	83%	87%	--	(5%)
Number of clients	914	990	(76)	(8%)
Logo retention rate	76%	83%	--	(7%)

Notes:

- (1) Denominated in thousands of Canadian dollars.

Annual Recurring Revenue

On a currency adjusted basis, ARR as at March 31, 2024 was \$49.8 million. When reported on a constant currency ARR was \$48.4 million as at March 31, 2024, a decrease of \$4.9 million, or 9%, compared to an ARR of \$53.3 million as at March 31, 2023. Of the ARR reported, 67% originated from clients outside of Canada with the company benefitting from the diverse customer base outside of Canada.

ARR was broken down as follows over the last five quarters:

<i>(In thousands of Canadian dollars)</i>	Q1- 2023	Q2- 2023	Q3- 2023	Q4- 2023	Q1- 2024	Q1-2024 YoY Growth
Enterprise Client ARR.....	44,824	44,035	43,619	43,447	41,717	(7%)
Embedded Solutions Clients & Other ARR.....	8,488	8,155	7,913	7,585	6,717	(21%)
Total ARR.....	53,312	52,190	51,532	51,032	48,434	(9%)

As of March 31, 2024, no single client accounted for more than 5% of ARR.

Net Dollar Retention Rate

Consolidated Net Dollar Retention as at March 31, 2024 was 83%, a decrease of 5% when compared to the Net Dollar Retention Rate of 87% for the comparative period in 2023. Net Dollar Retention for Enterprise Clients was approximately 83% as at March 31, 2024, as compared to 92% for the comparative period in 2023. Enterprise Net Dollar Retention is lower primarily due to an increase in overall Enterprise Client churn, counteracted by cross-sell and multi-product opportunities and a higher overall average contract value within the existing Enterprise Client base. As the cross-sell efforts and a continued focus on larger enterprise customers (outside of SMB), the Company expects Net Dollar Retention Rate to increase as existing clients are sold additional products and services over time.

	As at March 31, 2024	As at March 31, 2023	Change %
Net Dollar Retention Rate – Enterprise	83%	92%	(8%)
Total Net Dollar Retention Rate.....	83%	87%	(5%)

Number of Clients

Number of Clients as at March 31, 2024 was 914, representing a decrease of 76 clients when compared with March 31, 2023. The decrease in customers is largely attributed to the loss of smaller, single product customers. While customer churn was high in the quarter on a total number of clients basis, the company continues to have success in adding new, higher value customers as part of the transition process to a higher value customer base.

Number of Clients Breakdown

	Q1- 2023	Q2- 2023	Q3- 2023	Q4- 2023	Q1- 2024	Q1-2024 YoY Growth
Total Enterprise Clients.....	972	979	973	942	902	(7%)
Total Embedded Solutions Clients.....	18	17	15	14	12	(33%)
Total Number of Clients.....	990	996	988	956	914	(8%)

Logo Retention Rate

Logo Retention Rate for the last twelve months ended March 31, 2024 was 76%, compared to 83% for the comparable period in 2023. As retention is measured on an LTM basis, the lower Logo Retention Rate is primarily attributable to the loss of smaller client logos following the acquisitions, and an increase in overall Enterprise Client churn. Despite a lower Logo Retention Rate, new internal initiatives focused on cross-selling products to existing clients, and strong uptake to date in the opportunity to discuss multiproduct solutions with at-risk clients is trending positively, and new logo additions are, on average, larger on an ARR basis than those of logos being lost.

Non-IFRS Measures and Reconciliation of Non-IFRS Measures

EBITDA and Adjusted EBITDA

(In thousands of Canadian dollars)	Three Months Ended March 31,	
	2024	2023
Net loss.....	(1,604)	(354)
Add:		
Amortization and depreciation expense	3,503	4,016
Finance expense	2,477	2,195
Income tax recovery	(715)	(894)
EBITDA ⁽¹⁾	3,661	4,963
Add:		
Share-based compensation	548	1,466
Foreign exchange loss (gain)	(1,789)	50
Changes in fair value of contingent consideration	-	(3,551)
Synergies realized ⁽²⁾	-	237
Additional one-time costs ⁽³⁾	275	517
Adjusted EBITDA ⁽⁴⁾	2,695	3,682
Adjusted EBITDA Margin ⁽⁵⁾	22%	27%

Notes:

- (1) “**EBITDA**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.
- (2) Synergies realized relates to the impact of the full period of cost synergies related to the reduction of employees and professional services in relation to acquisitions.
- (3) One-time costs related to non-recurring expenses and restructuring costs subsequent to the Company’s acquisitions.
- (4) “**Adjusted EBITDA**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.
- (5) “**Adjusted EBITDA Margin**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.

For the three months ended March 31, 2024, Adjusted EBITDA decreased by \$1.0 million, to \$2.7 million, compared to \$3.7 million for the same period in 2023. This decrease is mainly due to a decrease in revenue of 1.0 million.

Adjusted Net Loss

(In thousands of Canadian dollars)	Three Months Ended March 31,	
	2024	2023
Net loss	(1,604)	(354)
Add:		
Share-based compensation	548	1,466
Foreign exchange loss (gain)	(1,789)	50
Changes in fair value of contingent consideration	-	(3,551)
Synergies realized ⁽¹⁾	-	237
Additional one-time costs ⁽²⁾	275	517
Adjusted Net Loss ⁽³⁾	(2,570)	(1,635)
Adjusted loss per share – basic ⁽⁴⁾	(0.05)	(0.03)
Adjusted loss per share – diluted ⁽⁵⁾	(0.05)	(0.03)

Notes:

- (1) Synergies realized relates to the impact of the full period of cost synergies related to the reduction of employees and professional services in relation to acquisitions.
- (2) One-time costs related to non-recurring expenses and restructuring costs subsequent to the Company’s acquisitions.
- (3) “**Adjusted Net Loss**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures and Key Performance Indicators*”.
- (4) “**Adjusted loss per share – basic**” has the meaning ascribed herein under “*Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators*”.

- (5) “Adjusted loss per share – diluted” has the meaning ascribed herein under “Cautionary Note Regarding Non-IFRS Measures, Non-IFRS Ratios and Key Performance Indicators”.

For the three months ended March 31, 2024, Adjusted Net Loss increased by \$1.0 million, to an Adjusted Net Loss of \$2.6 million, compared to an Adjusted Net Loss of \$1.6 million for the same period in 2023. This increase is mainly due to a decrease and on-time costs incurred in Q1 2023 partially offset by a reduction in general and administrative expenses.

Liquidity and Capital Resources

Overview

The Company believes it has sufficient liquidity to support continued operations and to meet its short-term liabilities and commitments as they become due. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budget and cash forecasts to ensure it has sufficient funds to fulfill obligations. In managing working capital, the Company may, where necessary, limit or control the amount of working capital used for operations or other initiatives, pursue additional financing, manage the timing of its expenditures, or sell assets.

While the Company believes that it has the ability to generate sufficient amounts of cash in the short-term and long-term, to maintain current operational capacity, additional sources of capital and/or financing will be required to meet planned growth requirements. Liquidity will fluctuate based on demand for working capital resources required for these initiatives.

Concurrent with the completion of the Wellbeats transaction in February 2022, the Company entered into a credit agreement (“Term Loan Commitment”) with two Canadian chartered banks (the “Lenders”) comprising of a senior revolving credit facility of \$97,500,000 and a revolving credit facility. The Term Loan Commitment’s maturity date is February 28, 2025. During Q2 2022, the Company voluntarily repaid \$10.0 million of the credit facility, reducing total debt to \$87.5 million. Following the voluntary repayment of debt, the Company, in collaboration with the Lenders, also revised the terms of its credit facility to better position LifeSpeak to achieve its growth targets going forward (the “Amended and Restated Agreement”). As a result of the Amended and Restated Agreement, the Company was required to make a principal repayment of \$5,000,000 by December 31, 2022. On December 23, 2022, pursuant to the Amended and Restated Agreement, the Company made a draw down of \$5.0 million on the Revolving Credit Facility and repaid \$5.0 million of the principal balance outstanding under the Term Loan Commitment.

On March 30, 2023, the Company and Lenders entered into the Second A&R Credit Agreement, whereby the Company repaid \$10.0 million of principal under the Term Loan Commitment and repaid the \$5.0 million outstanding under the Revolving Credit Facility. Additionally, the principal amounts were revised to \$72.5 million for the Term Loan Commitment and to \$5.0 million for the revolving credit facility. The Term Loan Commitment outlined a mandatory principal repayment of \$1.1 million by December 29, 2023, and quarterly payments of \$1.8 million on the last day of each quarter commencing March 31, 2024, with the remaining unpaid principal balance due at maturity. The Company and the Lenders entered into several amendments to the Term Loan Commitment after March 30, 2023 that removed the requirement to test certain covenants.

On December 29, 2023, the Company and the Lenders entered into a third amended and restated credit agreement whereby the financial covenant requirements for Consolidated Debt Service Coverage Ratio, Minimum ARR, and Maximum Total Secured Debt to Special EBITDA were removed and the ratios for the remaining financial covenants were reset.

On March 30, 2023, the Company entered into a new credit agreement with Beedie Investments Ltd. (“Beedie”) comprising of a convertible term loan of \$15.0 million (the “Convertible Term Loan”). On March 30, 2023, the Company drew down \$15.0 million. For the first year then outstanding, the Convertible Term Loan requires payments of cash interest of 2% per annum, payable monthly, and deferred interest of 8% per annum compounded monthly and payable at the maturity date, March 30, 2026. After the first anniversary date, cash interest is payable monthly at a rate of 7% per annum and deferred interest accrues at a rate of 2% per annum compounded monthly and payable at maturity. All obligations then outstanding under the Convertible Term Loan shall be repaid in full on the maturity

date. At any time prior to the repayment of the Convertible Term Loan, the lender can elect to convert all or any portion of the outstanding principal, together with all accrued and unpaid interest, into shares of the Company at a conversion price (i), in the case of principal, of \$1.10 per common share; and (ii) in the case of accrued and unpaid interest, equal to the greater of \$1.10 per common share and the market price per common share. The Company and the lender entered into several amendments to the Convertible Term Loan after March 30, 2023 that removed the requirement to test certain covenants.

As of March 31, 2024, the Company was in compliance with the covenants except for the Minimum ARR covenant for the month of March 2024 related to the Convertible Term Loan. Subsequent to March 31, 2024, the Company and the Beedie entered into an amending agreement that delayed the requirement to test the ARR covenant for March 2024 until May 15, 2024.

The Company has made all of its required repayments to date and has also raised \$5.0 million in March 2024 through an equity financing which was used to repay a portion of the Term Loan Commitment bringing the principal balance down to \$66.4 million.

Working Capital

<i>(In thousands of Canadian dollars)</i>	As at March 31,	As at December 31,	Change	
	2024	2023	\$	%
Current assets	16,853	11,699	5,154	44%
Current liabilities.....	97,516	19,601	77,915	397%
Working capital deficit.....	(80,663)	(7,902)	(72,762)	921%

Our approach to managing liquidity is to ensure, to the extent possible, that we have sufficient liquidity to meet our liabilities as they become due. We do so by monitoring cash flow, performing budget-to-actual analysis, and forecasting future performance and its effect on cash on a regular basis.

Working capital deficit as at March 31, 2024 was \$80.7 million compared to \$7.9 million as at March 31, 2023. The current working capital deficit is mainly comprised of the Company's Term Loan Commitment which matures on February 28, 2025. The Company has not defaulted on debt or interest payments in the past and is engaging in negotiations with the Term Loan Lenders to amend its existing debt agreement; however, there is no assurance that the debt will be refinanced. Therefore, as a result of the actions taken, management believes there is sufficient capital to meet the Company's business obligations for at least the next twelve months, after considering expected cash flows, potential amendments to existing borrowing agreements, and the Company's cash position as at March 31, 2024.

Cash Flows

The following table provides an overview of the Company's cash flows for the periods indicated:

<i>(In thousands of Canadian dollars)</i>	Three Months Ended March 31,	
	2024	2023
Cash provided by (used in):		
Operating activities.....	5,086	3,824
Investing activities.....	-	(70)
Financing activities.....	(1,974)	(5,334)
Net decrease in cash	3,112	(1,580)

Operating Activities

Cash flow generated from operating activities for the three months ended March 31, 2024 was \$5.1 million representing an increase of \$1.3 million from the cash flow generated of \$3.8 million for the three months ended March 31, 2023. This increase in cash flow was due to a net increase in operating assets and liabilities, partially offset by a decrease in non-cash working capital items.

Investing Activities

Cash flow used in investing activities during the three months ended March 31, 2024 was \$nil compared to cash flow used in investing activities of \$70,000 for the three months ended March 31, 2023. This decrease is primarily due to minor purchases of property and equipment during the period March 31, 2023.

Financing Activities

Cash flow used in financing activities for the three months ended March 31, 2024 was \$2.0 million, a decrease of \$3.4 million compared to cash flow used of \$5.3 million for the three months ended March 31, 2023. The difference is mainly due to larger interest payments during the period March 31, 2023.

Contractual Obligations

We have contractual obligations with a variety of expiration dates. The table below outlines our contractual obligations as at March 31, 2024:

	1 to 3 years	4 to 5 years	> 5 years	Total
<i>(In thousands of Canadian dollars)</i>				
Trade and other payables.....	4,405	-	-	4,405
Lease obligations.....	785	403	124	1,312
Borrowings.....	92,191	-	-	92,191
Total contractual obligations.....	97,381	403	123	97,908

The table below outlines our contractual obligations as at March 31, 2023:

	1 to 3 years	4 to 5 years	> 5 years	Total
<i>(In thousands of Canadian dollars)</i>				
Trade and other payables.....	5,533	-	-	5,533
Lease obligations.....	802	39	-	841
Borrowings.....	105,661	-	-	105,661
Contingent consideration for acquisitions	1,453	-	-	1,453
Total contractual obligations.....	113,449	39	-	113,488

Capital Resources

The following table provides an overview of our capital resources:

<i>(In thousands of Canadian dollars)</i>	As at March 31, 2024	As at December 31, 2023
Cash	7,060	3,859
Shareholders' equity.....	19,979	15,537

Shareholders' equity increased by \$4.4 million to \$20.0 million as at March 31, 2024. The increase was mainly due to the shares issued of \$5.0 million offset by comprehensive loss of \$1.1 million.

Selected Statement of Financial Position Data

	As at March 31, 2024	As at December 31, 2023
Current assets	16,853	11,699
Non-current assets	103,197	104,399
Current liabilities.....	97,516	19,601
Non-current liabilities.....	2,555	80,960

Current Assets

Current assets increased by \$5.2 million, to \$16.9 million as at March 31, 2024 from \$11.7 million as at December 31, 2023. The increase was mainly due to an increase in cash of \$3.2 million and an increase in trade and other receivables of \$1.9 million.

Non-Current Assets

Non-current assets decreased by \$1.2 million to \$103.2 million as at March 31, 2024 from \$104.4 million as at December 31, 2023. The decrease was mainly due to a decrease in intangible assets of \$2.3 million due to impairment and amortization, offset by an increase of \$1.2 million to goodwill due to foreign exchange revaluation.

Current Liabilities

Current liabilities increased by \$77.9 million to \$97.5 million as at March 31, 2024 from \$19.6 million as at December 31, 2023. The increase was mainly due to an increase of \$73.1 million in current borrowings and an increase in deferred revenue of \$4.4 million.

Non-Current Liabilities

Non-current liabilities decreased by \$78.4 million to \$2.6 million as at March 31, 2024 from \$81.0 million as at December 31, 2023. The decrease was mainly due to a decrease in non-current borrowings of \$77.5 million and a decrease in deferred tax liability of \$714,000.

Related Party Transactions

We have no related party transactions, other than those noted in our consolidated financial statements.

Transaction with Key Management Personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly including the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and equivalent and Directors.

Compensation expense for the Company's key management personnel for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Salaries and benefits	640	741
Share-based compensation	524	1,170
Total	1,164	1,911

As of March 31, 2024, the Company has an amount due from a related party of \$281,109 relating to a non-interest bearing employee loan. The principal amount of the loan is \$300,000. The loan is receivable in full on October 1,

2026, or earlier based on certain trigger events and is secured by common shares in the capital of the Company held by the employee.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as of the date of this MD&A.

Financial Instruments and Other Instruments

Credit risk

Credit risk is the risk of financial loss to the Company if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from deposits with banks and outstanding receivables. The Company trades only with recognized, creditworthy third parties. The Company performs credit checks for all clients who wish to trade on credit terms.

The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Credit loss impairment is determined based upon review of specific accounts as the Company does not have significant historical uncollectable receivables. Acknowledging that due to the nature of the business there is, on a quarterly basis a significant balance of receivables, the Company actively works to ensure an orderly collections process.

Liquidity risk

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they come due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows, the issuance of share capital and if desired, the issuance of debt. The Company's trade and other payables are all due within twelve months from the date of these financial statements.

The Company's Term Loan Commitment matures in February 2025. The Company has not defaulted on debt or interest payments in the past and is engaging in negotiations with the Term Loan Lenders to amend its existing debt agreement. In addition, the Company has taken steps to improve its operations and liquidity, including (i) amendments to existing borrowing arrangements, (ii) access to financing through a private placement and (iii) various actions that were implemented during the past 12 months that resulted in lower operating expenses, and increased cash flows from operations. However, there is no guarantee that the Company will obtain satisfactory financing terms or adequate financing. Failure to obtain adequate financing on satisfactory terms could have a material adverse effect on the Company's results of operations or financial condition.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured. The Company's primary exposure with respect to foreign currencies is from United States dollar denominated cash, trade and other receivables, and trade and other payables. A 1% change in the foreign exchange rates would not result in any significant impact to the financial statements.

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as at March 31, 2024 as a result of its Term Loan Commitment, as the interest rate varies based on the bank's prime rate. The Company has partially offset this risk by entering into an interest rate swap agreement for a portion of its Term Loan Commitment. The Company has determined that a 1% increase or decrease in interest rates would have a material impact on these financial statements based on the outstanding principal balances of \$66,412,500 under the Term Loan Commitment. The Convertible Term Loan is not subject to interest rate risk as the interest rate is fixed.

Other price risk

Other price risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risk as at March 31, 2024.

Critical Accounting Policies and Estimates

The preparation of the Financial Statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements included in the Financial Statements are decisions made by Management, based on analysis of relevant information available at the time the decision is made. Judgements relate to the application of accounting policies and decisions applied to the measurement, recognition, and disclosure of financial information.

Information about areas of estimation uncertainty and critical judgements in applying accounting policies, that have the most significant effects on the amounts recognized in the Financial Statements, are included both below and in the Financial Statement notes relating to items subject to significant estimation uncertainty and critical judgements.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements:

Revenue recognition

The identification of revenue-generating contracts with customers, the identification of performance obligations, the determination of the transaction price and allocations between identified performance obligations, the use of the appropriate revenue recognition method for each performance obligation and the measure of progress for performance obligations satisfied over time are the main aspects of the revenue recognition process, all of which require the exercise of judgment and use of assumptions.

The Company follows the guidance provided in IFRS 15, Appendix B, Principal versus Agent Considerations for determining whether revenue from arrangements with resellers should be recognized at the gross amount of consideration paid by the customer, or the net amount of consideration retained by the Company. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement.

Goodwill impairment testing and recoverability of long-lived assets

Goodwill is reviewed annually for impairment, and long-lived assets are reviewed for impairment when there are indicators that impairment may have occurred. Goodwill and long-lived asset impairment testing is performed by comparing the carrying value to its recoverable amount. The recoverable amounts of the cash-generating unit was estimated based on an assessment of value in use using a discounted cash flow approach and fair value less costs to sell. The approach uses cash flow projections based upon a financial forecast approved by management, covering a five-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate for value in use impairment analysis. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions, identification of cash-generating units, and other events.

Trade and other receivables

The recognition of trade and other receivables and loss allowances requires the Company to assess credit risk and collectability. The Company considers historical trends and any available information indicating a customer could be experiencing liquidity or going concern problems and the status of any contractual or legal disputes with customers in performing this assessment.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses (“ECLs”) resulting from all possible default events over the assets’ contractual lifetime. The Company has established an allowance for ECLs that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This rate is then adjusted based on management judgment to account for current economic conditions, counterparty’s present financial condition and the term to maturity of the specified receivable balance. Actual credit loss may significantly differ from this estimate of provision.

Trade and other receivables are written off when the Company has no reasonable expectations of recovering all or any portion thereof, such as when payment arrangements cannot be made with the customer or third-party collection agency. The Company recorded a credit loss provision at March 31, 2024, using the simplified approach.

Income taxes

The Company computes an income tax provision in each of the tax jurisdictions in which it operates. Actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant tax authorities, which occurs subsequent to the issuance of the financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets against future taxable income based on an assessment of the ability to use the underlying future tax deductions before they expire. To the extent that estimates of future taxable income differ from the tax return, earnings would be affected in a subsequent period.

In determining the amount of current and deferred tax, the Company considers the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Estimated useful lives of long-lived assets

The Company reviews useful lives of depreciable assets at each reporting date. The Company assessed that the useful lives represent the expected utilization in terms of duration of the assets to the Company. Actual utilization, however, may vary due to technical obsolescence, particularly relating to software and information technology equipment.

Share-based payments

For equity-settled plans, expense is based on the fair value of the awards granted, calculated on the grant date. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied.

The Company uses the Black-Scholes valuation model to determine the fair value of equity settled share options. Estimates are required for inputs to this model including the fair value of the underlying shares, the expected life of the option, volatility, expected dividend yield and the risk-free interest rate. Variation in actual results for any of these inputs will result in a different value of the share option realized from the original estimate. The assumptions and estimates used are further outlined in the stock options note.

Going concern

At the end of each reporting period, management exercises judgment in assessing the Company's ability to continue as a going concern and operate in the normal course by reviewing the Company's performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management's strategic planning.

As at March 31, 2024, the Company had cash of \$7,059,886 and a working capital deficit of \$80,663,562. The working capital deficit is mainly comprised of the Company's Term Loan Commitment which matures on February 28, 2025. The Company generated positive cash flows from operating activities during the period ended March 31, 2024 of \$5,086,437 and incurred a net loss of \$1,603,515. The Company's accumulated losses, working capital deficit, net loss for the period, and maturity date of the Term Loan Commitment are indicators of material uncertainties that may cast significant doubt about whether the Company will be able to support its operations and meet its obligations in the near term and continue as a going concern.

The Company believes the application of the going concern assumption is appropriate as the Company has taken steps to improve its operations and liquidity, including (i) amendments to existing borrowing arrangements, (ii) access to financing through a private placement and (iii) various actions that were implemented during the past 12 months that resulted in lower operating expenses, and increased cash flows from operations.

The Company has not defaulted on debt or interest payments in the past and is engaging in negotiations with the Term Loan Lenders to amend its existing debt agreement; however, there is no assurance that the debt will be refinanced. Therefore, as a result of the actions taken, management believes there is sufficient capital to meet the Company's business obligations for at least the next twelve months, after considering expected cash flows, future amendments to existing borrowing agreements, and the Company's cash position as at March 31, 2024.

New standards, amendments and interpretations recently adopted by the Company

IAS 1, Presentation of financial statements ("IAS 1")

In October 2022, the IASB issued Non-current Liabilities with Covenants (Amendments to IAS 1). The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company has adopted the amendments and have included the required disclosures in line with the amendment.

New standards, amendments and interpretations not yet adopted by the Company

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the financial statements.

Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares and preferred shares, issuable in series. As of March 31, 2024, there were 59,136,130 common shares and nil preferred shares outstanding. As of May 7, 2024, there were 59,136,130 common shares and nil preferred shares outstanding.

The number of common shares reserved for issuance under the Company's Omnibus Plan is 5,098,223. As of March 31, 2024, the number of stock options that are outstanding, including those that remain unvested, that may be converted

to common shares is 4,151,666 and the number of RSUs outstanding, including those that remain unvested is 1,261,032.

Under the Convertible Term Loan with Beedie the principal amount of the loan may be converted up to a maximum of 13,636,363 common shares and the accrued interest is convertible into common shares.

Risks and Uncertainties

The results of operations, business prospects and financial condition of LifeSpeak remain subject to risks and uncertainties and are affected by a number of factors outside of our control. Certain factors may have a material adverse effect on our business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in the AIF, particularly under the heading “*Risk Factors*”, and in other filings that we have made and may make in the future with applicable securities authorities, including those available under the Company’s profile on SEDAR+ at www.sedarplus.ca.

The risks and uncertainties described herein and therein are not the only ones we may face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that could adversely affect our business, financial condition and results of operations. If any of such risks actually occur, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of our common shares (or the value of any other securities of the Company) could decline, and our securityholders could lose part or all of their investment.

Disclosure Controls and Internal Controls over Financial Reporting

Management, under the direction and supervision of the Company’s Chief Executive Officer (CEO) and Chief Financial Officer (CFO), is responsible for establishing and maintaining disclosure controls and procedures. These controls and procedures are designed to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is accumulated and communicated to Management in a timely manner so that information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in applicable securities legislation. Management, under the direction and supervision of the CEO and CFO, is also responsible for establishing and maintaining internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As required by National Instrument 52-109 - Certification of Disclosure in Issuers’ Annual and Interim Filings, the Company’s CEO and CFO have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s internal control over financial reporting and disclosure controls and procedures as at March 31, 2024 in accordance with Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission and based on this evaluation have concluded that such controls and procedures are effective. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. There were no significant changes to our ICFR for the three months ended March 31, 2024.

Subsequent Events

In April 2024, the Board of Directors approved grants of 2,646,288 RSUs to various members of management and a director. 2,621,288 RSUs were issued to related parties of the Company.

Meaning of Certain Term

“EAP” means an Employee Assistance Program.

“**embedded solutions clients**” means clients that embed our offering in their own solution such that when they sell or offer their product to an end consumer, our product is automatically included or provided as an add-on.

“enterprise clients” means clients which are generally employers (mid and large enterprises, public and private organizations) offering our service as a benefit that fills a current hole in their health and well-being program or enhances it.

“Institutional Investors” means, collectively, Round 13 Growth 2020 L.P., Kensington LS Fund L.P. and Roynat Capital Inc.

“LTM” means Last Twelve Months.

All other terms not defined herein shall have the meaning ascribed to them in the AIF.