

Condensed Consolidated Interim Financial Statements
(In U.S. dollars)

D2L INC.

Three months ended April 30, 2023 and 2022
(Unaudited)

D2L INC.

Condensed Consolidated Interim Balance Sheets
(In U.S. dollars)

As at April 30, 2023 and January 31, 2023
(Unaudited)

	April 30, 2023	January 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 92,092,008	$ 110,732,236
Trade and other receivables (note 3)	24,637,569	20,894,794
Uninvoiced revenue	2,931,720	2,107,015
Prepaid expenses	7,598,592	8,183,390
Deferred commissions	4,585,332	4,487,043
	131,845,221	146,404,478
Non-current assets:		
Other receivables (note 3)	—	193,036
Prepaid expenses	219,398	122,469
Deferred income taxes	159,092	189,178
Right-of-use assets	10,909,077	11,205,371
Property and equipment	5,633,554	4,287,095
Deferred commissions	6,999,640	6,849,779
Intangible assets	282,034	288,099
Goodwill	7,028,916	7,070,432
Total assets	$ 163,076,932	$ 176,609,937
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 17,836,607	$ 23,450,767
Deferred revenue	74,122,367	85,662,830
Lease liabilities	1,221,201	1,127,600
	93,180,175	110,241,197
Non-current liabilities:		
Deferred income taxes	455,367	398,906
Lease liabilities	11,815,270	11,878,556
	12,270,637	12,277,462
	105,450,812	122,518,659
Shareholders' equity:		
Share capital (note 5)	359,048,816	357,639,824
Additional paid-in capital	47,310,771	46,084,161
Accumulated other comprehensive loss	(5,213,016)	(5,001,805)
Deficit	(343,520,451)	(344,630,902)
	57,626,120	54,091,278
Related party transactions (note 8)		
Subsequent event (note 11)		
Total liabilities and shareholders' equity	$ 163,076,932	$ 176,609,937

See accompanying notes to the condensed consolidated interim financial statements.

On behalf of the Board of Directors:

(signed) John Baker, Director

(signed) J. Ian Giffen, Director

D2L INC.

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)
(In U.S. dollars)

For the three months ended April 30, 2023 and 2022
(Unaudited)

	2023	2022
Revenue:		
Subscription and support	$ 39,189,661	$ 35,766,503
Professional services and other	5,038,278	6,103,581
	44,227,939	41,870,084
Cost of revenue:		
Subscription and support	11,240,740	11,438,628
Professional services and other	3,107,304	4,078,365
	14,348,044	15,516,993
Gross profit	29,879,895	26,353,091
Expenses:		
Sales and marketing	12,440,667	13,057,090
Research and development	11,145,353	11,285,167
General and administrative	6,189,503	6,407,040
	29,775,523	30,749,297
Income (loss) from operations	104,372	(4,396,206)
Interest and other income (expenses):		
Interest expense	(156,008)	(237,600)
Interest income	876,107	18,246
Other income	15,463	—
Foreign exchange gain (loss)	430,172	(28,218)
	1,165,734	(247,572)
Income (loss) before income taxes	1,270,106	(4,643,778)
Income taxes (recovery):		
Current	74,642	189,516
Deferred	85,013	(70,631)
	159,655	118,885
Income (loss) for the period	1,110,451	(4,762,663)
Other comprehensive loss:		
Foreign currency translation loss	(211,211)	(53,665)
Comprehensive income (loss)	$ 899,240	$ (4,816,328)
Earnings (loss) per share – basic (note 6)	$ 0.02	$ (0.09)
Earnings (loss) per share – diluted (note 6)	0.02	(0.09)
Weighted average number of common shares – basic (note 6)	53,224,007	52,987,915
Weighted average number of common shares – diluted (note 6)	54,752,509	52,987,915

See accompanying notes to the condensed consolidated interim financial statements.

D2L INC.

Condensed Consolidated Interim Statements of Shareholders' Equity
(In U.S. dollars)

For the three months ended April 30, 2023 and 2022
(Unaudited)

	Share Capital		Additional paid-in	Accumulated other	Deficit	Total
	Shares	Amount	capital	comprehensive loss		
Balance, January 31, 2023	53,146,530	$ 357,639,824	$ 46,084,161	$ (5,001,805)	$ (344,630,902)	$ 54,091,278
Issuance of Subordinate Voting Shares on exercise of options	128,073	1,111,373	(450,449)	—	—	660,924
Issuance of Subordinate Voting Shares on settlement of restricted share units	24,097	297,619	(397,164)	—	—	(99,545)
Stock-based compensation (note 7)	—	—	2,074,223	—	—	2,074,223
Other comprehensive loss	—	—	—	(211,211)	—	(211,211)
Income for the period	—	—	—	—	1,110,451	1,110,451
Balance, April 30, 2023	53,298,700	$ 359,048,816	$ 47,310,771	$ (5,213,016)	$ (343,520,451)	$ 57,626,120
Balance, January 31, 2022	52,912,502	$ 354,277,986	$ 41,686,794	$ (3,330,708)	$ (326,254,177)	$ 66,379,895
Issuance of Subordinate Voting Shares on exercise of options	85,774	667,033	(218,526)	—	—	448,507
Stock-based compensation (note 7)	—	—	1,650,053	—	—	1,650,053
Other comprehensive loss	—	—	—	(53,665)	—	(53,665)
Loss for the period	—	—	—	—	(4,762,663)	(4,762,663)
Balance, April 30, 2022	52,998,276	$ 354,945,019	$ 43,118,321	$ (3,384,373)	$ (331,016,840)	$ 63,662,127

See accompanying notes to the condensed consolidated interim financial statements.

D2L INC.

Condensed Consolidated Interim Statements of Cash Flows
(In U.S. dollars)

For the three months ended April 30, 2023 and 2022
(Unaudited)

	2023	2022
Operating activities:		
Income (loss) for the period	$ 1,110,451	$ (4,762,663)
Items not involving cash:		
Depreciation of property and equipment	291,732	557,254
Depreciation of right-of-use assets	321,071	629,323
Amortization of intangible assets	4,376	55,645
Gain on disposal of property and equipment	(15,463)	—
Stock-based compensation (note 7)	2,074,223	1,650,053
Net interest expense (income)	(720,099)	219,354
Income tax expense	159,655	118,885
Changes in operating assets and liabilities:		
Trade and other receivables	(3,582,301)	3,214,425
Uninvoiced revenue	(807,077)	(372,689)
Prepaid expenses	448,517	452,896
Deferred commissions	(231,019)	(214,492)
Accounts payable and accrued liabilities	(5,551,696)	(4,965,676)
Deferred revenue	(11,383,125)	(11,953,677)
Right-of-use assets and lease liabilities	—	129,413
Interest received	876,107	18,246
Interest paid	(7,522)	(74,299)
Income taxes paid	(22,509)	—
Cash flows used in operating activities	(17,034,679)	(15,298,002)
Financing activities:		
Payment of lease liabilities	(132,994)	(547,484)
Proceeds from exercise of stock options	660,924	448,507
Taxes paid on settlement of restricted share units	(99,545)	—
Cash flows from (used in) financing activities	428,385	(98,977)
Investing activities:		
Purchase of property and equipment	(1,664,474)	(904,353)
Proceeds from disposal of property and equipment	15,463	—
Cash flows used in investing activities	(1,649,011)	(904,353)
Effect of exchange rate changes on cash and cash equivalents	(384,923)	(258,681)
Decrease in cash and cash equivalents	(18,640,228)	(16,560,013)
Cash and cash equivalents, beginning of period	110,732,236	114,675,495
Cash and cash equivalents, end of period	92,092,008	98,115,482

See accompanying notes to the condensed consolidated interim financial statements.

D2L Inc. was incorporated on January 2, 2011 under the laws of Ontario, Canada and continued under the Canadian Business Corporations Act, effective June 20, 2014. The address of the Company's head office is 137 Glasgow Street, Suite 560, Kitchener, ON, Canada, N2G 4X8. D2L Inc. and its subsidiaries (the "Company" or "D2L") provide cloud-based learning software for higher education institutions, kindergarten to grade 12 (K-12) schools and districts, and private sector enterprises.

1. Basis of presentation:

(a) Statement of compliance and consolidation:

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board. They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended January 31, 2023 (the "Annual Financial Statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual audited consolidated financial statements as at and for the year ended January 31, 2023.

The Interim Financial Statements were authorized for issuance by the Board of Directors on June 7, 2023.

(b) Basis of consolidation:

These condensed consolidated interim financial statements include the accounts of (i) D2L Inc.; (ii) its wholly owned subsidiaries: D2L Corporation, D2L Ltd., D2L Europe Ltd., D2L EU B.V., D2L Australia Pty Ltd., D2L Asia Pte Ltd., D2L Brasil Solucoes de Tecnologia para Educacao Ltda, D2L Commerce Inc.; and (iii) Desire2Learn LLC prior to its dissolution on November 10, 2022. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed.

1. Basis of presentation (continued):

(c) Seasonality of interim operations:

The operations of the Company can be seasonal in nature. Cash flows from operations generally have a seasonal low in the first quarter each year and a seasonal high in the second quarter each year, due to the contractual timing of annual invoicing with our end customers, many of which have a fiscal year end in the second quarter.

The results of operation for any interim period are not necessarily indicative of operations for the full fiscal year or any future period.

(d) Use of estimates and judgments:

The preparation of the Interim Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended January 31, 2023.

2. Material accounting policies:

The accounting policies followed in these Interim Financial Statements are consistent with the accounting policies outlined in note 2 of the Company's annual audited consolidated financial statements as at and for the year ended January 31, 2023, except for the following:

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors

The amendments distinguish between accounting policies and accounting estimates by introducing a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

2. Material accounting policies (continued):

The amendments have been applied for annual periods beginning on or after January 1, 2023. The adoption of the amendments to this standard did not have a material impact on these Interim Financial Statements.

Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2

The amendments are intended to help companies provide useful accounting policy disclosures. The amendments:

- require companies to disclose their material accounting policies rather than their significant accounting policies;
- clarify that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarify that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments have been applied for annual periods beginning on or after January 1, 2023. The adoption of the amendments to this standard did not have a material impact on these Interim Financial Statements.

Amendments to IAS 1, Presentation of Financial Statements – Classification of Liabilities

The amendments clarify that:

- the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance;
- only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date;
- the transfer of a company's own equity instruments is regarded as settlement of a liability.

The amendments have been applied for annual periods beginning on or after January 1, 2023. The adoption of the amendments to this standard did not have a material impact on these Interim Financial Statements.

3. Trade and other receivables:

The trade and other receivables, net of allowance, are as follows:

	April 30, 2023	January 31, 2023
Trade receivables	$ 21,694,423	$ 18,316,886
Allowance for doubtful accounts	(238,111)	(276,329)
Net trade receivables	21,456,312	18,040,557
Other receivables	3,181,257	3,047,273
Trade and other receivables	$ 24,637,569	$ 21,087,830
Comprised of:		
Current	$ 24,637,569	$ 20,894,794
Non-current	—	193,036

As at April 30, 2023, one customer accounted for more than 10% of the net trade receivables, representing 24% of the balance (January 31, 2023 - no customers accounted for more than 10% of net trade receivables). Subsequent to April 30, 2023, the balance from this customer was collected.

4. Financial instruments:

Fair value of financial instruments:

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The Company measures fair value on a recurring basis based on a fair value hierarchy that requires it to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instruments' categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of inputs that may be used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Unobservable inputs

Observable inputs are based on market data obtained from independent sources.

4. Financial instruments (continued):

The fair values of cash and cash equivalents, trade and other receivables, and accounts payable and accrued liabilities, approximate their carrying values due to their short-term nature. There were no changes in the categorization of financial instruments in the current or prior periods of these Interim Financial Statements.

5. Share capital:

(a) Authorized share capital as at April 30, 2023 and January 31, 2023:

- Unlimited number of Subordinate Voting Shares, entitled to one vote per share, non-cumulative participating dividend rights, not convertible into any other class of shares
- Unlimited number of Multiple Voting Shares, entitled to 10 votes per share, non-cumulative participating dividend rates, convertible into Subordinate Voting Shares at the option of the holder and automatically in certain situations, subject to certain restrictions
- Unlimited number of preferred shares, issuable in series. The Board of Directors may, subject to certain restrictions, fix the number of preferred shares in a series and determine the designation of certain rights, including but not limited to: any right to receive dividends; any terms or conditions of redemption or purchase; any conversion rights; any retraction rights; and any rights on the Company's liquidation, dilution and winding up.

(b) Issued:

As at April 30, 2023, the Company had 25,908,112 Subordinate Voting Shares and 27,390,588 Multiple Voting Shares issued and outstanding. No preferred shares were issued and outstanding.

As at January 31, 2023, the Company had 25,755,942 Subordinate Voting Shares and 27,390,588 Multiple Voting Shares issued and outstanding. No preferred shares were issued and outstanding.

6. Earnings (loss) per share:

Earnings (loss) per share is calculated by dividing income (loss) for the period by the weighted average number of fully paid Subordinate Voting Shares and Multiple Voting Shares outstanding throughout the period.

6. Earnings (loss) per share (continued):

	April 30, 2023	April 30, 2022
Income (loss) for the period	$ 1,110,451	$ (4,762,663)
Weighted average number of outstanding shares – basic	53,224,007	52,987,915
Weighted average number of outstanding shares – dilutive	54,752,509	52,987,915
Earnings (loss) per share - basic	$ 0.02	$ (0.09)
Earnings (loss) per share - dilutive	$ 0.02	$ (0.09)

The Company has three categories of potentially dilutive securities: stock options, restricted stock units ("RSUs") and deferred share units ("DSUs").

For the three month period ended April 30, 2023, 648,153 potentially dilutive instruments have been excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

For the three months period ended April 30, 2022, all potentially dilutive securities have been excluded from the calculation of diluted loss per share for all periods presented, as the Company was in a net loss position during the period. Including the dilutive securities would be anti-dilutive; therefore, basic and dilutive number of shares used in the calculation is the same for the period.

7. Stock-based compensation:

Total stock-based compensation expense recognized in the Company's condensed consolidated statements of comprehensive income (loss) was as follows:

	2023	2022
Cost of subscription and support	$ 51,051	$ 46,769
Cost of professional services and other	59,891	23,509
Sales and marketing	332,283	406,737
Research and development	571,625	545,703
General and administrative	1,059,373	627,335
	$ 2,074,223	$ 1,650,053

7. Stock-based compensation (continued):

(a) Legacy stock option plan:

During the three months ended April 30, 2023, the Company recognized stock-based compensation expense of $118,669 (2022 – $328,903) related to stock options. A summary of stock option activity for the three months ended April 30, 2023 is presented below:

	Number of stock options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, January 31, 2023	2,991,307	$ 5.99	4.77
Options forfeited	(151,035)	5.52	–
Options exercised	(128,073)	5.16	–
Balance, April 30, 2023	2,712,199	$ 6.05	4.65
Exercisable, end of period	2,223,267	$ 5.55	4.04

A summary of stock option plan for the year ended January 31, 2023 is presented below:

	Number of stock options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, January 31, 2022	7,547,243	$ 6.80	3.37
Options forfeited	(4,435,712)	7.40	–
Options exercised	(120,224)	5.21	–
Balance, January 31, 2023	2,991,307	$ 5.99	4.77
Exercisable, end of year	2,448,051	$ 5.52	4.15

7. Stock-based compensation (continued):

Options outstanding and options exercisable as at April 30, 2023 by range of exercise price are as follows:

	Options outstanding			Options exercisable	
Range of exercise prices	Weighted average exercise price	Number of stock options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of stock options
$5.00 - $6.00	$ 5.16	2,063,577	3.72	$ 5.16	1,925,369
$6.01 - $7.00	6.50	327,868	7.44	6.50	177,139
$7.01 - $8.00	7.44	10,881	0.59	7.44	10,881
$8.01 - $9.00	8.48	77,722	7.59	8.48	38,052
$9.01 - $10.00	9.55	72,151	7.83	9.55	31,826
$10.01 - $14.00	13.77	160,000	8.27	13.77	40,000
	$ 6.05	2,712,199	4.65	$ 5.55	2,223,267

(b) Long Term Incentive Plan:

During the three months ended April 30, 2023, the Company recognized stock-based compensation expense of $1,795,527 (2022 – $1,306,150) related to RSUs.

A summary of RSU activity for the period ended April 30, 2023 is presented below:

	Number of RSUs outstanding	Weighted average grant date fair value per RSU (in CAD)
Balance, January 31, 2023	2,176,061	$ 9.13
RSUs granted	1,291,291	7.93
RSUs forfeited	(10,929)	9.15
RSUs settled	(41,666)	12.96
Balance, April 30, 2023	3,414,757	$ 8.63

7. Stock-based compensation (continued):

A summary of RSU activity for the year ended January 31, 2023 is presented below:

	Number of RSUs outstanding	Weighted average grant date fair value per RSU (in CAD)
Balance, January 31, 2022	843,275	$ 16.69
RSUs granted	1,857,424	7.09
RSUs forfeited	(283,456)	11.76
RSUs settled	(241,182)	16.68
Balance, January 31, 2023	2,176,061	$ 9.13

(c) Deferred Share Unit Plan:

During the period ended April 30, 2023, the Company recognized stock-based compensation expense of $160,027 (2022 – $15,000) related to DSUs. A summary of DSU activity is presented below:

	Number of DSUs outstanding	Weighted average grant date fair value per DSU (in CAD)
Balance, January 31, 2023	174,599	$ 6.97
DSUs granted	2,490	7.64
DSUs forfeited	–	–
DSUs settled	–	–
Balance, April 30, 2023	177,089	$ 6.98
Vested but not yet settled, April 30, 2023	14,706	$ 8.13

7. Stock-based compensation (continued):

A summary of DSU activity for the year ended January 31, 2023 is presented below:

	Number of DSUs outstanding	Weighted average grant date fair value per DSU (in CAD)
Balance, January 31, 2022	1,283	$ 14.48
DSUs granted	173,316	$ 6.91
DSUs forfeited	—	—
DSUs settled	—	—
Balance, January 31, 2023	174,599	$ 6.97
Vested but not yet settled, January 31, 2023	12,216	$ 8.23

8. Related party transactions:

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. The following transactions were carried out with related parties:

(a) The Company recognized revenue of $22,239 for the period ended April 30, 2023 (2022 - $23,407) related to service agreements with Virtual High School Ontario ("VHS"), a corporation controlled by family members of John Baker, the Company's CEO, and in which John Baker, had a minority interest and continues to have other business dealings. As at April 30, 2023, the Company had nil (January 31, 2023 - nil) in trade receivables from this related party.

(b) On October 15, 2021, D2L Corporation, a subsidiary of the Company, entered into the Kitchener Lease with Catalyst. John Baker, the Company's CEO, has a minority interest in Catalyst. The Kitchener Lease was approved by the independent members of the Board of Directors, John Baker abstaining, following declaration of his conflict of interest. John Baker did not participate in the negotiation of the terms of the Kitchener Lease.

The term of the Kitchener Lease is 11.5 years, which commenced on February 1, 2022. The Company recognized lease-related expenses, including right-of-use asset amortization, interest expense and common area maintenance fees, of $491,394 for the period ended April 30, 2023 (2022 - $482,155).

8. Related party transactions (continued):

D2L Corporation has the following cash flow commitment relating to the Kitchener Lease:

	CAD	USD
May 1, 2023 - January 31, 2024	$ 943,153	$ 696,157
February 1, 2024 - January 31, 2025	1,783,476	1,316,413
February 1, 2025 - January 31, 2026	1,858,854	1,372,050
February 1, 2026 - January 31, 2027	1,937,954	1,430,435
February 1, 2027 - July 31, 2033	14,756,366	10,891,914
Total undiscounted commitment	$ 21,279,803	$ 15,706,969

9. Employee benefits:

The total employee compensation comprising of salaries and benefits, excluding grants and tax credits, for the three months ended April 30, 2023 was $27,294,218 (2022 - $27,207,927).

The Company has a defined contribution pension plan for its eligible employees. The total cost recognized for the Company's defined contribution plan for the three months ended April 30, 2023 was $584,635 (2022 - $561,054).

10. Operating segments:

The Company reports segment information based on internal reports used by the chief operating decision maker ("CODM") to make operating and resource decisions and to assess performance. The CODM is the Chief Executive Officer and President. The CODM makes decisions and assesses performance of the Company on a consolidated basis such that the Company is a single reportable operating segment.

Geographic information:

Revenue by geographic region, based on the physical location of the customer for the period, is as follows:

	2023	2022
Canada	$ 11,256,877	$ 10,360,632
United States	24,884,379	24,535,558
Rest of world	8,086,683	6,973,894
Total	$ 44,227,939	$ 41,870,084

10. Operating segments (continued):

For each period presented, there was no single customer with revenue in excess of 10% of the Company's total revenue.

Non-current assets includes property and equipment, right-of-use assets and intangible assets that are attributable to individual geographic segments, based on location of the respective operations:

Property and equipment:

	April 30, 2023	January 31, 2023
Canada	$ 5,408,699	$ 4,057,800
United States	101,629	94,291
Rest of world	123,226	135,004
Total	$ 5,633,554	$ 4,287,095

Right-of-use-assets

	April 30, 2023	January 31, 2023
Canada	$ 10,880,577	$ 11,161,334
Rest of world	28,500	44,037
Total	$ 10,909,077	$ 11,205,371

Intangible assets:

All intangible assets were held in Canada for the periods ended April 30, 2023 and January 31, 2023.

11. Subsequent event:

On May 9, 2023, D2L Europe Ltd., an indirect subsidiary of the Company, acquired all of the outstanding shares of Connected Shopping Ltd. ("Connected Shopping"), a SaaS e-commerce and course catalog company and maker of Course Merchant. This acquisition will allow the Company to deliver Course Merchant as a part of its own suite of products to address the growing needs of higher education and training organizations worldwide.

The purchase price is approximately $3,611,851, consisting of $2,921,851 cash paid on closing and estimated contingent consideration of $690,000. Additional cash may be paid by (or returned to) the Company due to a post-closing adjustment to the initial consideration. The contingent consideration will be paid to the selling shareholders upon achieving certain customer churn targets on the first and second anniversary dates following the acquisition in equal instalments of $345,000.

11. Subsequent event (continued):

Additional cash of up to $690,000 may be paid to the selling shareholders, subject to the continued employment of specific employees, on the first and second anniversary dates following the acquisition in equal instalments of $345,000.

The assessment of the purchase price and the accounting for this acquisition has not yet been finalized and certain IFRS 3 disclosures have not been included due to the timing of the acquisition. Significant net assets expected to be acquired from Connected Shopping include customer relationships, software, goodwill and deferred revenue.