Consolidated Financial Statements
(In U.S. dollars)

D2L INC.

And Independent Auditor's Report thereon

Years ended January 31, 2024 and 2023

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place
Suite 1400
Vaughan, ON, L4K 0J3
Telephone (905) 265-5900
Fax (905) 265-6390
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of D2L Inc.

Opinion

We have audited the consolidated financial statements of D2L Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at January 31, 2024 and January 31, 2023
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of changes in shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at January 31, 2024 and January 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended January 31, 2024. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Evaluation of standalone selling prices ("SSP") of multiple performance obligations in contracts with customers

Description of the matter

We draw attention to Notes 1(d) and 2(a) to the financial statements. The Entity has recognized revenue of $182.4 million. Many of the Entity's contracts with customers contain multiple performance obligations. Individual performance obligations are accounted for separately if they are distinct. The overall methodology used to determine the SSP for each distinct performance obligation requires significant judgements and estimates within a contract with a customer. The methodology used to determine the SSP depends on the nature of the products and services and how they are priced in contracts with customers. The Entity determines the SSP based on its overall pricing objectives by reviewing its significant pricing practices, including discounting practices, the customer type, price lists and historical selling prices. This allocation affects the amount and timing of revenue recognized for each performance obligation.

Why the matter is a key audit matter

We identified the evaluation of standalone selling prices of multiple performance obligations in contracts with customers as a key audit matter. There was a significant risk of material misstatement relating to the overall methodology used to determine SSP for each distinct performance obligation within a contract with a customer. Significant auditor judgment was required to evaluate the results of our audit procedures due to the significant judgments and estimates associated with the determination of the SSP for each distinct performance obligation.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following.

We evaluated the appropriateness of the methodology used to determine the SSP by comparing it to pricing patterns in customer contracts, historical methodologies used by the Entity, and general practices in the Entity's industry.

For a selection of new customer contracts with multiple performance obligations, we examined the key terms and assessed the allocation of the transaction price to each distinct performance obligation based on its respective SSP derived from the underlying methodology.

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Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditor's report thereon, included in a document likely to be entitled "Annual Report" is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Anuj Madan.

Vaughan, Canada

April 3, 2024

D2L INC.

Consolidated Statements of Financial Position
(In U.S. dollars)
As at January 31, 2024 and January 31, 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents (note 3)	$ 116,943,499	$ 110,732,236
Trade and other receivables (note 4)	23,025,690	20,894,794
Uninvoiced revenue (note 5(b))	3,971,861	2,107,015
Prepaid expenses	10,517,226	8,183,390
Deferred commissions (note 5(d))	5,334,864	4,487,043
	159,793,140	146,404,478
Non-current assets:		
Other receivables (note 4)	537,056	193,036
Prepaid expenses	119,872	122,469
Deferred income taxes (note 14)	529,674	189,178
Right-of-use assets (note 9)	8,774,960	11,205,371
Property and equipment (note 6)	8,427,734	4,287,095
Deferred commissions (note 5(d))	7,730,724	6,849,779
Intangible assets (note 7)	770,707	288,099
Goodwill (note 8)	10,440,091	7,070,432
Total assets	$ 197,123,958	$ 176,609,937
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 32,635,926	$ 23,450,767
Deferred revenue (note 5(c))	93,727,368	85,662,830
Lease liabilities (note 9)	1,002,464	1,127,600
Contingent consideration (note 21)	271,479	–
	127,637,237	110,241,197
Non-current liabilities:		
Deferred income taxes (note 14)	587,075	398,906
Lease liabilities (note 9)	11,707,534	11,878,556
Contingent consideration (note 21)	311,839	–
	12,606,448	12,277,462
	140,243,685	122,518,659
Shareholders' equity:		
Share capital (note 11):	364,830,884	357,639,824
Additional paid-in capital	47,485,107	46,084,161
Accumulated other comprehensive loss	(4,998,317)	(5,001,805)
Deficit	(350,437,401)	(344,630,902)
	56,880,273	54,091,278
Subsequent events (note 22)		
Commitments and contingencies (note 15)		
Related party transactions (note 17)		
Total liabilities and shareholders' equity	$ 197,123,958	$ 176,609,937

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

(signed) John Baker, Director

(signed) J. Ian Giffen, Director

D2L INC.

Consolidated Statements of Comprehensive Loss
(In U.S. dollars)
Years ended January 31, 2024 and 2023

	2024	2023
Revenue:		
Subscription and support	$ 162,231,829	$ 145,938,597
Professional services and other	20,148,646	22,457,819
	182,380,475	168,396,416
Cost of revenue:		
Subscription and support	45,351,420	46,271,187
Professional services and other	14,832,600	14,354,963
	60,184,020	60,626,150
Gross profit	122,196,455	107,770,266
Expenses:		
Sales and marketing	52,914,495	55,010,030
Research and development	48,320,129	43,067,814
General and administrative	28,074,111	25,619,759
Impairment loss on intangible assets	–	4,474,370
	129,308,735	128,171,973
Loss from operations	(7,112,280)	(20,401,707)
Interest and other income (expenses):		
Interest expense	(619,860)	(716,342)
Interest income	4,225,939	1,335,965
Other income	230,947	–
Foreign exchange gain	79,689	1,839,447
	3,916,715	2,459,070
Loss before income taxes	(3,195,565)	(17,942,637)
Income taxes (recovery) (note 14):		
Current	636,726	503,662
Deferred	(290,202)	(69,574)
	346,524	434,088
Loss for the year	(3,542,089)	(18,376,725)
Other comprehensive gain (loss):		
Foreign currency translation gain (loss)	3,488	(1,671,097)
Comprehensive loss	$ (3,538,601)	$ (20,047,822)
Loss per share – basic (note 12)	$ (0.07)	$ (0.35)
Loss per share – diluted (note 12)	(0.07)	(0.35)
Weighted average number of common shares – basic (note 12)	53,554,686	53,029,605
Weighted average number of common shares – diluted (note 12)	53,554,686	53,029,605

See accompanying notes to the consolidated financial statements.

D2L INC.

Consolidated Statements of Changes in Shareholders' Equity
(In U.S. dollars)
Years ended January 31, 2024 and 2023

	Share Capital		Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
	Shares	Amount				
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	120,224	994,959	(368,688)	–	–	626,271
Issuance of Subordinate Voting Shares on settlement of restricted share units	113,804	2,366,879	(2,971,847)	–	–	(604,968)
Stock-based compensation (note 13)	–	–	7,737,902	–	–	7,737,902
Other comprehensive loss	–	–	–	(1,671,097)	–	(1,671,097)
Loss for the year	–	–	–	–	(18,376,725)	(18,376,725)
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	497,386	4,581,368	(2,226,913)	–	–	2,354,455
Issuance of Subordinate Voting Shares on settlement of restricted share units	375,369	2,932,606	(5,659,029)	–	–	(2,726,423)
Stock-based compensation (note 13)	–	–	9,286,888	–	–	9,286,888
Repurchase of share capital for cancellation under NCIB (note 11)	(41,200)	(322,914)	–	–	–	(322,914)
Share repurchase commitment under the ASPP (note 11)	–	–	–	–	(2,264,410)	(2,264,410)
Other comprehensive gain	–	–	–	3,488	–	3,488
Loss for the year	–	–	–	–	(3,542,089)	(3,542,089)
Balance, January 31, 2024	53,978,085	$ 364,830,884	$ 47,485,107	$ (4,998,317)	$ (350,437,401)	$ 56,880,273

See accompanying notes to the consolidated financial statements.

D2L INC.

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

Years ended January 31, 2024 and 2023

	2024	2023
Operating activities:		
Loss for the year	$ (3,542,089)	$ (18,376,725)
Items not involving cash:		
Depreciation of property and equipment (note 6)	1,598,200	1,506,222
Depreciation of right-of-use assets (note 9)	1,184,848	2,138,765
Amortization of intangible assets (note 7)	88,097	598,545
Impairment loss on intangible assets	–	4,474,370
Stock-based compensation (note 13)	9,286,888	7,737,902
Net interest (income) expense	(3,606,079)	(619,623)
Income tax expense	346,524	434,088
Changes in operating assets and liabilities:		
Trade and other receivables	(1,064,604)	4,485,203
Uninvoiced revenue	(1,841,656)	115,296
Prepaid expenses	(2,293,679)	(645,246)
Deferred commissions	(1,661,350)	(584,204)
Accounts payable and accrued liabilities	5,499,539	23,867
Provisions	–	(3,265,449)
Deferred revenue	8,041,852	4,615,107
Right-of-use assets and lease liabilities	–	134,720
Interest received	4,223,677	1,335,965
Interest paid	(28,577)	(83,779)
Income taxes paid	(572,592)	(245,675)
Cash flows from operating activities	15,658,999	3,779,349
Financing activities:		
Payment of lease liabilities (note 9(a))	(1,015,760)	(1,651,520)
Lease incentive received (note 9)	961,920	–
Proceeds from exercise of stock options	2,354,455	626,271
Taxes paid on settlement of restricted share units	(2,726,423)	(604,968)
Repurchase of share capital for cancellation under NCIB (note 11)	(322,914)	–
Cash flows used in financing activities	(748,722)	(1,630,217)
Investing activities:		
Purchase of property and equipment (note 6)	(5,727,243)	(3,672,349)
Acquisition of business, net of cash acquired (note 21)	(2,793,180)	–
Cash flows used in investing activities	(8,520,423)	(3,672,349)
Effect of exchange rate changes on cash and cash equivalents	(178,591)	(2,420,042)
Increase (decrease) in cash and cash equivalents	6,211,263	(3,943,259)
Cash and cash equivalents, beginning of year	110,732,236	114,675,495
Cash and cash equivalents, end of year	$ 116,943,499	$ 110,732,236

See accompanying notes to the consolidated 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 consolidated financial statements are presented in United States ("U.S.") dollars (unless otherwise indicated) and have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorized for issuance by the Board of Directors on April 3, 2024.

(b) Basis of consolidation:

These consolidated 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 Soluções de Tecnologia para Educação Ltda., D2L Commerce Inc., Connected Shopping Ltd acquired on May 9, 2023, D2L India Private Limited incorporated on August 16, 2023, D2L Sistemas de Aprendizaje Innovadores, Sociedad De Responsabilidad Limitada De Capital Variable incorporated on December 7, 2023 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.

(c) Seasonality:

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.

1. Basis of presentation (continued):

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Estimates are monetary amounts in financial statements that are subject to measurement uncertainty. 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.

Estimates and judgments include, but are not limited to: identification of performance obligations and the determination of standalone selling price ("SSP") in contracts with multiple performance obligations; uncertain tax positions and the recoverability of deferred tax assets; valuation of trade and other receivables; impairment of non-financial assets; and initial measurement of lease liabilities.

Identification of performance obligations and the determination of SSP in contracts with multiple performance obligations:

Many of the Company's contracts with customers contain promises to deliver multiple products and services. Determining whether such bundled products and services are considered (i) distinct performance obligations that should be separately recognized, or (ii) non-distinct and therefore should be combined with another good or service and recognized as a combined unit of accounting may require judgment. In general, the Company's professional services are capable of being distinct as they could be performed by third party service providers and do not involve significant customization.

The overall methodology used to determine the SSP for each distinct performance obligation requires significant judgements and estimates within a contract with a customer. The methodology used to determine the SSP depends on the nature of the products and services and how they are priced in contracts with customers. This allocation affects the amount and timing of revenue recognized for each performance obligation. Refer to note 2(a) for additional information on the assumptions and estimates used.

1. Basis of presentation (continued):

Uncertain tax positions and recoverability of deferred tax assets:

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company establishes provisions based on reasonable estimates for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred income tax assets are recognized for unused tax losses and deductible temporary differences to the extent it is probable that taxable income will be available against which the losses and deductible temporary differences can be utilized. The recognition of deferred tax assets requires the Company to assess future taxable income available to utilize deferred tax assets related to deductible or taxable temporary differences. The Company considers the nature and carry-forward period of deferred tax assets, the Company's recent earnings history and forecast of future earnings in performing this assessment. The actual deferred tax assets realized may differ from the amount recorded due to factors having a negative impact on operating results of the Company and lower future taxable income. Refer to note 14 for additional information on the assumptions and estimates used.

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.

Impairment of non-financial assets

When non-financial assets are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates. The recoverable amount is based on the greater of internal estimates of value-in-use calculations or the fair value of the assets less costs to sell which are determined using discounted cash flow models. Key assumptions on which management has based its determination of value-in-use include an estimated discount rate and long-term growth rate.

Initial measurement of lease liabilities

The Company applies judgments in determining the discount rate used to measure the lease liability at the commencement date. The discount rate is estimated using the Company's incremental borrowing rate, which reflects the interest that the Company would have to pay to borrow the funds necessary to obtain a similar asset at a similar term, with a similar security, in a similar economic environment.

1. Basis of presentation (continued):

The Company applies judgments in determining the lease term for certain leases which contain extension or termination options. Judgement is required in the determination of whether it is reasonably certain that these options will be exercised, and therefore reflected in the lease term for purposes of calculating the lease liability and right-of-use asset.

2. Material accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise indicated.

(a) Revenue recognition:

The Company generates revenue from two primary sources: (i) subscription and support revenue, which is comprised of fees from customers accessing the Company's learning technologies and from customers purchasing additional support beyond that included in the basic subscription fees; and (ii) professional services and other revenue, which is comprised of fees from consultation services to support the implementation of, integration of and training related to the Company's learning technologies. Revenue is recognized when control of these services is transferred to the Company's customers, in an amount that reflects the total transaction price as allocated to the performance obligations according to their relative SSP.

The Company determines revenue recognition through application of the following steps:

- Identify the contract(s) with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue when (or as) the entity satisfies a performance obligation.

The following describes the nature of the Company's primary types of revenue and the revenue recognition policies and significant payment terms as they pertain to the types of transactions the Company enters into with customers.

<u>Subscription and support revenue</u>:

Subscription and support revenue is derived from fees earned from customers for accessing the Company's learning technologies, from purchases of additional product support, and from fees earned for usage beyond contracted user counts. The subscription and support agreement term length typically range from 12 to 60 months. The terms of the Company's subscriptions do not provide customers the right to take possession of the software. Accordingly, subscription and support revenue is generally recognized ratably over the contract term.

2. Material accounting policies (continued):

The Company's contracts with customers typically include a fixed amount of consideration and are generally non-cancelable, or cancelable with penalty, and without any refund-type provisions.

Amounts that have been invoiced are recorded in trade receivables and in deferred revenue and recognized as revenue when the revenue recognition criteria have been met. Amounts not yet invoiced but for which revenue recognition criteria have been met are recorded as a contract asset in uninvoiced revenue on the consolidated balance sheets and as revenue on the consolidated statements of comprehensive loss.

Professional services and other revenue:

Professional services and other revenue includes fees from consultation services to support the implementation of, integration of, and training related to the learning technologies, as well as complementary services such as content creation and learning consultancy, and, occasionally, termination fees due when contracts are cancelled for convenience. These professional services are either delivered at or around the inception of the contract with the customer when the subscription and support agreement commences, or as follow-on services during the term of the subscription and support agreement. The Company's professional services are typically considered distinct from the related subscription and support services as the promise to transfer the subscription can be fulfilled independently from the promise to deliver the professional services. (i.e., customer receives standalone functionality from the subscription and the customer obtains the intended benefit of the subscription without the professional services). The Company recognizes the revenue over time based on services rendered.

Contracts with multiple performance obligations:

Many of the Company's contracts with customers contain multiple performance obligations. Individual performance obligations are accounted for separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative SSP basis. The SSP reflects the price the Company would charge for a specific product or service if it was sold separately in similar circumstances and to similar customers. The Company typically establishes a narrow SSP range for its products and services and assesses this range on a periodic basis or when material changes in facts and circumstances warrant a review. If the SSP is not directly observable, then the Company estimates the amount using either the expected cost plus a margin or residual approach. Estimating SSP requires judgment that could impact the classification, amount, and timing of revenue recognized.

The Company determines the SSP based on its overall pricing objectives by reviewing its significant pricing practices, including discounting practices, the customer type, price lists and historical selling prices. SSP is analyzed on a periodic basis to identify if the Company has experienced significant changes in its selling practices.

2. Material accounting policies (continued):

(b) Cost of revenue:

Cost of revenue primarily consists of costs related to providing the Company's cloud-based applications and the delivery of support and professional services. Significant expenses included in cost of revenue include cloud technology and networking expenses, employee wages and benefits expenses, and payment to outside service providers.

(c) Deferred commissions:

The Company defers commission costs that are incremental and directly related to the acquisition of customer contracts, provided they are expected to be recoverable. Commission costs are accrued and capitalized upon execution of the sales contract by the customer. Payments to partners and sales personnel are made monthly following the execution of the sales contracts. Deferred commissions are amortized on a straight-line basis over a period of benefit that the Company has determined to be five years. The Company determined the period of benefit by taking into consideration its customer contracts and customer life, its technology and other factors. Where the expected amortization period for all performance obligations in a customer contract is one year or less, the Company applies a practical expedient and related commission costs are expensed when incurred.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

(e) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables are initially measured at the transaction price. All other financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in the statement of comprehensive loss.

2. Material accounting policies (continued):

Financial assets:

All financial assets are recognized and de-recognized on a trade date basis, the date on which the Company commits to purchase or sell the investment. The Company determines the classification of its financial assets on the basis of both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial asset	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Uninvoiced revenue	Amortized cost

Amortized cost:

Subsequent to initial recognition, financial assets at amortized cost are measured using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate except for short-term receivables where the interest revenue would be immaterial. Interest income, foreign exchange gains and losses, impairment and any gain or loss on de-recognition are recognized in the statement of comprehensive loss.

Impairment of financial assets:

The Company measures a loss allowance based on the lifetime expected credit losses. Lifetime expected credit losses are estimated based on factors such as the Company's past experience of collecting payments, the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables, financial difficulty of the borrower, and it becoming probable that the borrower will enter bankruptcy or financial re-organization.

2. Material accounting policies (continued):

Financial assets are written off when there is no reasonable expectation of recovery.

Financial liabilities:

The Company determines the classification of its financial liabilities at initial recognition. The Company's financial liabilities are classified as follows:

Financial liability	Classification under IFRS 9
Accounts payables and accrued liabilities	Amortized cost
Contingent consideration	FVTPL

Amortized cost:

Financial liabilities at amortized cost are measured using the effective interest rate method. Interest expenses and foreign exchange gains and losses are recognized in the statement of comprehensive loss. Any gain or loss on derecognition is also recognised in the statement of comprehensive loss.

FVTPL:

A financial liability is classified as FVTPL if it is classified as held for trading, it is a derivative, or it is designated as such, on initial recognition. Financial liabilities are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. The Company assesses whether embedded derivative financial instruments are required to be separated from host contracts when the Company first becomes party to the contract.

De-recognition of financial liabilities:

The Company de-recognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire.

(f) Property and equipment:

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated asset's useful life. The estimated useful lives by asset classification are as follows:

2. Material accounting policies (continued):

Furniture and equipment	5 years
Computer hardware and software	3 - 5 years
Leasehold improvements	lesser of useful life or term of lease

(g) Intangible assets:

Certain of the Company's intangible assets, including software and customer relationship were acquired in a business combination. These intangible assets are recorded at their fair values at the acquisition date. After initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment losses. Intangible assets with an indeterminable benefit period are not amortized. Amortization is based on the estimated useful lives using the straight-line method and the following periods:

Domains	Indefinite life
Patents	Remaining life of patent
Software	5 years
Customer relationship	8 years

(h) Impairment of long-lived assets:

The Company evaluates its property and equipment and intangible assets for impairment annually, or more frequently when events or changes in circumstances indicate that their carrying amount may not be recoverable. This includes but is not limited to: significant adverse changes in business climate, market conditions, current period cash flow or operating losses, or other events that indicate an asset's carrying amount may not be recoverable. If the Company determines that the carrying amount of an asset or an asset group is not recoverable based on its estimated undiscounted future cash flows expected to be generated from the use of the asset or asset group and its eventual disposal, the Company records an impairment loss equal to the excess of carrying amount over the estimated fair value of the asset or asset group. Any impairment losses are recognized immediately in the statement of comprehensive loss.

2. Material accounting policies (continued):

(i) Goodwill:

Goodwill arises from a business combination as the excess of the consideration transferred over the identifiable net assets acquired. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to the cash-generating unit that is expected to benefit from the related business combination. The Company as a whole has been assessed as a single cash-generating unit. The cash-generating unit is tested for impairment annually and whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognized immediately in the statement of comprehensive loss. Any impairment loss in respect of goodwill is not reversed.

(j) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. Material accounting policies (continued):

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability.

The Company has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

(l) Stock-based compensation:

The Company’s stock-based compensation plans provide for the issuance of awards to employees, non-employee directors and certain service providers. The expense relating to awards under these plans is recognized over the vesting period in which the applicable service and/or performance conditions are fulfilled. Each tranche of an award with a distinct vesting period is accounted for separately. The cumulative expense recognized at each reporting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of awards that will ultimately vest. Estimated forfeitures are based on historical forfeiture rates and expectations of future forfeiture rates. No expense is recognized for awards that do not ultimately vest because service and/or non-market performance conditions are not met.

The cost of an equity-settled award is measured at fair value at the grant date and recognized as an expense, together with a corresponding increase in additional paid-in capital, over the vesting period.

2. Material accounting policies (continued):

When shares are issued upon the exercise or redemption of an equity-settled award, the amount of proceeds, if any, together with the amount recorded in additional paid-in capital in respect of the award, is recorded to share capital.

The cost of a cash-settled award is initially measured at fair value at the grant date and remeasured to fair value at each reporting date until settlement. The cost is recognized as an expense, together with a corresponding liability, over the vesting period.

(n) Income taxes:

Current and deferred income taxes are recognized as an expense or recovery in the statement of comprehensive loss, except when they relate to items that are recognized outside profit or loss (whether in other comprehensive loss or directly in shareholders' deficiency), in which case the tax is also recognized outside of profit or loss.

Current income tax:

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred income tax:

Deferred income tax assets and liabilities are recorded for the temporary differences between transactions that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are provided for using the liability method. Under the liability method, deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities and for certain carry-forward items. Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the years when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment or substantive enactment. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. Material accounting policies (continued):

Income tax uncertainties:

If there is uncertainty about an income tax treatment, then the Company considers whether it is probable that a tax authority will accept the entity's tax treatment included or planned to be included in its tax filing based on its technical merits. If probable, it measures current and deferred taxes consistently with the tax treatment used or planned to be used in the income tax filing. If it is not probable that the tax authority will accept its tax treatment, then the Company reflects the effect of that tax uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. To do so, the Company uses either the most likely amount or the expected value method—whichever better predicts the resolution of the uncertainty.

(o) Foreign currency translation:

These consolidated financial statements are presented in U.S. dollars which is the functional currency of the Company and its subsidiaries except where otherwise noted.

Foreign currency transactions:

The functional currency of the Company's significant, wholly-owned subsidiaries is generally the local currency. Transactions in currencies other than the functional currency are translated at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated to the functional currency at the rates prevailing at that date. Exchange differences on monetary items are recognized in the statement of comprehensive loss in the period in which they arise. Non-monetary items carried at fair value that are denominated in foreign currencies are translated to the functional currency of the subsidiary at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to the functional currency using the rates at the date of the transaction.

2. Material accounting policies (continued):

Foreign operations:

The consolidated financial statements of the Company include the accounts of its foreign, wholly-owned subsidiaries: D2L Corporation, 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., Connected Shopping Ltd, D2L India Private Limited and D2L Sistemas de Aprendizaje Innovadores, Sociedad De Responsabilidad Limitada De Capital Variable are translated into U.S. dollars. The financial statements of D2L Corporation and D2L Commerce Inc. are measured using the Canadian dollar as their functional currency; the financial statements of D2L Europe Ltd and Connected Shopping Ltd are measured using the British pound sterling as its functional currency; the financial statements of D2L EU B.V. are measured using the Euro as its functional currency; the financial statements of D2L Australia Pty Ltd. are measured using the Australian dollar as its functional currency; the financial statements of D2L Asia Pte. Ltd are measured using the Singapore dollar as its functional currency; the financial statements of D2L Brasil Solucoes de Tecnologia para Educacao Ltda. are measured using the Brazilian Real as its functional currency; the financial statements of D2L India are measured using the Indian Rupee as its functional currency and the financial statements of D2L Sistemas de Aprendizaje Innovadores, Sociedad De Responsabilidad Limitada De Capital Variable are measured using the Mexican peso as its functional currency.

Assets and liabilities of non-U.S. dollar functional currency subsidiaries have been translated into U.S. dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated using the average monthly exchange rates for the reporting period. All resultant exchange differences arising, if any, are recognized in other comprehensive loss and accumulated in shareholders' equity.

(p) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The expense relating to any provision is accounted for in the consolidated statements of comprehensive loss, net of any reimbursement.

If the known expected settlement date exceeds 12 months from the date of recognition, provisions are discounted using a current pre-tax interest rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense in the consolidated statements of comprehensive loss. Provisions are reviewed periodically and adjusted as appropriate.

2. Material accounting policies (continued):

(q) Research and development costs:

Research and development costs are expensed as incurred unless the criteria for capitalization are met. No research or development costs have been capitalized to date.

(r) Government grants and investment tax credits:

Government grants and investment tax credits for scientific research and experimental development related to current expenses, if any, are recorded as a reduction of the related expenses in the period to which the claim relates. Government grants and investment tax credits, if any, are recognized when there is reasonable assurance that: the Company has complied with, and will continue to comply with, all conditions necessary to obtain the grants or credits; and that the grants or credits have been or will be received.

(s) Employee benefits:

The Company maintains defined contribution plans for which it pays fixed contributions to administered pension plans on a mandatory, contractual or voluntary basis. The Company has no legal or constructive obligation to pay further amounts if the fund does not hold sufficient assets to pay the benefits to all employees. Obligations for contributions to defined contribution pension plans are recognized as employee compensation as the services are provided.

(t) Business combinations:

The Company accounts for business combinations using the acquisition method. Goodwill arising on acquisitions is measured as the fair value of the consideration transferred less the net recognized amount of the estimated fair value of identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Acquisition related cost that the Company incurs in connection with a business combination are expensed as incurred.

The Company uses its best estimates and assumptions to reasonably value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, and these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with a corresponding offset to goodwill. Upon conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the statement of comprehensive loss.

2. Material accounting policies (continued):

(u) Recently issued accounting pronouncements:

New and amended standards and interpretations adopted by the Company

Effective February 1, 2023, the Company adopted the following new and amended accounting standards.

- Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, effective for annual periods beginning on or after January 1, 2023, which distinguish between accounting policies and accounting estimates. The adoption of the amendments to this standard did not have a material impact on the Company's consolidated financial statements.

- Amendments to IAS 1, Presentation of Financial Statements, and IFRS Practice Statement 2 Making Materiality Judgements requiring companies to disclose their material accounting policy information. The adoption of the amendments to this standard did not have a material impact on the Company's consolidated financial statements.

- Amendments to IAS 12, Income Taxes, which clarify how to account for deferred tax on transactions such as leases. The adoption of the amendments to this standard are reflected in Note 14 Income taxes.

New and amended standards and interpretations issued not yet effective

The IASB has issued the following new and amended standards and interpretations that will become effective in a future year and could have an impact on the consolidated financial statements in future periods. The Company is currently assessing the impact of the following new and amended standards and interpretations and is not expecting any significant impacts on its consolidated financial statements.

- Amendments to IAS 1, which provide a more general approach to the classification of liabilities as current or non-current based on the contractual arrangements in place at the reporting date. The amendments are effective for annual periods beginning on or after February 1, 2024.

- Amendments to IFRS 16, which include additional requirements to explain how a company accounts for a sale and leaseback after the date of the transaction. The amendments are effective for annual periods beginning on or after February 1, 2024.

- Amendments to IAS 21, The effects of changes in foreign exchange rates, which clarify the impact of using an estimated exchange rate on financial statements when a currency is not exchangeable. The amendments are effective for annual reporting periods beginning on or after February 1, 2025.

(In U.S. dollars)

3. Cash and cash equivalents:

Cash equivalents are comprised of investments in money market mutual funds. Cash and cash equivalents are recorded at amortized cost.

4. Trade and other receivables:

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

	2024	2023
Trade receivables	$ 20,441,839	$ 18,316,886
Allowance for doubtful accounts	(310,395)	(276,329)
Net trade receivables	20,131,444	18,040,557
Other receivables	3,431,302	3,047,273
Trade and other receivables	$ 23,562,746	$ 21,087,830
Comprised of:		
Current	$ 23,025,690	$ 20,894,794
Non-current	537,056	193,036

The Company typically invoices its customers annually in advance upon execution of the contract or subsequent renewals, and its invoices are typically due within 30 days from the invoice date. For all customers, the Company bases its allowance for doubtful accounts on its historical collection experience and an evaluation of the potential risk of loss associated with specific accounts. When the Company becomes aware of circumstances that may decrease the likelihood of collection, it records a specific allowance against amounts due, which reduces the receivables to the amount the Company reasonably believes will be collected. The Company's general and administrative expenses during the year include bad debt expense of $572,968 (2023 - $561,644). Historically, actual write-offs for uncollectible accounts have not significantly differed from the Company's estimates. The Company derecognizes previously recorded receivables and the associated allowances when they are deemed permanently uncollectible.

Other receivables are comprised primarily of income tax receivables, sublease receivables and government grant receivables. All receivables are classified as current for the year ended January 31, 2024, with the exception of a portion of the sublease receivables classified as non-current, in line with the timing of contractual sublease payments. The Company assesses the need for an allowance against other receivables at each reporting date. In each period presented, the Company has concluded that the other receivables balances are collectible and accordingly have not recorded an allowance.

(In U.S. dollars)

5. Revenue from contracts with customers:

(a) Transaction price allocated to the remaining performance obligations:

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes deferred revenue and non-cancellable amounts that will be invoiced and recognized as revenue in future periods.

As at January 31, 2024, the total remaining non-cancellable performance obligations under contracts with customers was approximately $389,000,000. The Company expects to recognize revenue on approximately 40% of these remaining performance obligations over the following 12 months and 25% in the 12 months thereafter, with the balance to be recognized beyond 24 months.

(b) Uninvoiced revenue:

Uninvoiced revenue, which is a contract asset, relates to revenue recognized when transferred services exceed the amount billed for the customer contract. Uninvoiced revenue balances typically exist only for contracts with non-standard payment terms where revenue recognition may occur in advance of the Company's right to bill.

The following table presents changes in uninvoiced revenue:

	2024	2023
Balance, beginning of year	$ 2,107,015	$ 2,253,146
Amounts transferred to trade receivables from the balance at the beginning of the year	(2,107,015)	(2,253,146)
Revenue in excess of billings, net of amounts transferred to trade receivables	3,971,861	2,107,015
Balance, end of year	$ 3,971,861	$ 2,107,015

(c) Deferred revenue:

Deferred revenue, which is a contract liability, consists of billings or payments received in advance of revenue recognition and is recognized as the revenue recognition criteria are met. The Company generally invoices its customers annually in advance. Accordingly, the deferred revenue balance does not represent the total contract value of multi-year, non-cancellable subscription agreements.

(In U.S. dollars)

5. Revenue from contracts with customers (continued):

Revenue recognized that was included in the deferred revenue balance at the beginning of the years ended January 31, 2024 and 2023 was $82,308,961 and $80,050,048, respectively.

(d) Deferred commissions:

The following table presents the changes in deferred commission contract assets during the periods:

	2024	2023
Balance, beginning of year	$ 11,336,822	$ 11,221,576
Additions	6,861,105	4,817,805
Amortization to sales and marketing expense	(5,035,931)	(4,070,352)
Impairment	(159,042)	(170,677)
Effects of movement in exchange rates	62,634	(461,530)
Balance, end of year	$ 13,065,588	$ 11,336,822
Comprised of:		
Current	$ 5,334,864	$ 4,487,043
Non-current	7,730,724	6,849,779

For the periods presented, impairment was recorded on deferred commission balances that relate to customers whose agreements were terminated in the year.

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2024 and 2023

6. Property and equipment:

	Computer hardware/ software	Furniture and equipment	Leasehold improvements	Total
Cost				
Balance, January 31, 2022	$ 6,324,745	$ 1,827,649	$ 5,744,111	$ 13,896,505
Additions	1,103,823	334,604	2,233,922	3,672,349
Disposals	(8,985)	(796,457)	(4,805,325)	(5,610,767)
Effects of movement in exchange rates	(335,945)	(96,400)	(309,885)	(742,230)
Balance, January 31, 2023	7,083,638	1,269,396	2,862,823	11,215,857
Additions	592,097	729,314	4,405,832	5,727,243
Disposals	(38,533)	(32,211)	-	(70,744)
Additions through acquisition (note 21)	21,995	-	-	21,995
Effects of movement in exchange rates	10,175	340	7,206	17,721
Balance, January 31, 2024	$ 7,669,372	$ 1,966,839	$ 7,275,861	$ 16,912,072
Accumulated depreciation				
Balance, January 31, 2022	$ 4,945,669	$ 1,729,984	$ 4,897,144	$ 11,572,797
Depreciation	1,052,441	52,982	400,799	1,506,222
Disposals	(251)	(684,028)	(4,802,086)	(5,486,365)
Effects of movement in exchange rates	(294,440)	(93,010)	(276,442)	(663,892)
Balance, January 31, 2023	5,703,419	1,005,928	219,415	6,928,762
Depreciation	884,074	162,532	551,594	1,598,200
Disposals	(24,785)	(32,211)	—	(56,996)
Effects of movement in exchange rates	6,792	1,448	6,132	14,372
Balance, January 31, 2024	$ 6,569,500	$ 1,137,697	$ 777,141	$ 8,484,338
Carrying Amounts				
January 31, 2023	$ 1,380,219	$ 263,468	$ 2,643,408	$ 4,287,095
January 31, 2024	$ 1,099,872	$ 829,142	$ 6,498,720	$ 8,427,734

D2L INC.

Notes to Consolidated Financial Statements (continued)
(In U.S. dollars)

Years ended January 31, 2024 and 2023

7. Intangible assets:

	Acquired Technology	Domains	Patents	Course Content	Software	Customer Relationships	Total
Cost							
Balance, January 31, 2022	$1,252,381	$180,292	$254,167	$5,235,438	$376,763	–	$7,299,041
Effects of movement in exchange rates	(67,726)	(9,750)	(13,745)	(283,123)	(20,375)	–	(394,719)
Balance, January 31, 2023	1,184,655	170,542	240,422	4,952,315	356,388	–	6,904,322
Additions through acquisition (note 21)	–	–	–	–	302,500	249,000	551,500
Effects of movement in exchange rates	3,400	490	690	–	10,430	8,586	23,596
Balance, January 31, 2024	$1,188,055	$171,032	$241,112	$4,952,315	$669,318	$257,586	$7,479,418
Accumulated amortization & Impairment							
Balance, January 31, 2022	$1,252,381	–	$111,288	$360,672	$37,676	–	$1,762,017
Amortization	–	–	18,116	507,042	73,386	–	598,544
Impairment	–	–	–	4,224,898	249,472	–	4,474,370
Effects of movement in exchange rates	(67,726)	–	(6,539)	(140,297)	(4,146)	–	(218,708)
Balance, January 31, 2023	1,184,655	–	122,865	4,952,315	356,388	–	6,616,223
Amortization	–	–	17,563	–	46,541	23,993	88,097
Effects of movement in exchange rates	3,400	–	436	–	399	156	4,391
Balance, January 31, 2024	$1,188,055	–	$140,864	$4,952,315	$403,328	$24,149	$6,708,711
Carrying Amounts							
January 31, 2023	–	$170,542	$117,557	–	–	–	$288,099
January 31, 2024	–	$171,032	$100,248	–	$265,990	$233,437	$770,707

During the year ended January 31, 2023, the Company recognized an impairment loss of $4,474,370 on its course content assets and software assets. The recoverable amount of the assets were based on their value in use ("VIU"), which was determined by a discounted cash flow model of the assets. The VIU calculation resulted in a nil value based upon the historical results and anticipated future results derived from the intangible assets.

(In U.S. dollars)

7. Intangible assets (continued):

Future amortization expense associated with definite-life intangible assets recognized as of January 31, 2024 is expected to be as follows:

2025	$ 112,431
2026	112,431
2027	110,946
2028	106,495
2029 and beyond	157,372
	$ 599,675

8. Goodwill:

	2024	2023
Balance, beginning of year	$ 7,070,432	$ 7,474,647
Acquisition of Connected Shopping Ltd (note 21)	3,319,615	–
Effects of movement in exchange rates	50,044	(404,215)
Balance, end of year	$ 10,440,091	$ 7,070,432

The annual impairment test of goodwill was performed using a value in use model and did not result in an impairment loss. Value in use is based on a discounted cash flow model of the cash-generating unit of the Company, to which the goodwill was allocated. The carrying value of the Company was compared with its recoverable amount (value in use) to test for impairment. No reasonably possible change in the key assumptions used in determining the recoverable amount would result in any impairment of goodwill.

(In U.S. dollars)

9. Leases:

The Company leases certain properties under non-cancellable lease agreements that relate to office space. The expected remaining lease terms are between 15 and 114 months. The Company also subleased certain properties to third parties during the years ended January 31, 2024 and 2023.

(a) As a lessee:

The following reconciles the right-of-use assets as at January 31, 2024 and 2023:

	2024	2023
Carrying amount, beginning of year	$ 11,205,371	$ 1,323,017
Additions	–	12,510,506
Modifications to lease contracts	92,756	313,735
Depreciation	(1,184,848)	(2,138,765)
Leasehold incentive received	(961,920)	–
Derecognition of subleased right-of-use assets	(400,784)	–
Foreign exchange gain (loss) recorded in other comprehensive loss	24,385	(803,122)
Carrying amount, end of year	$ 8,774,960	$ 11,205,371

The following reconciles the lease liabilities as at January 31, 2024 and 2023:

	2024	2023
Carrying amount, beginning of year	$ 13,006,156	$ 1,892,934
Additions	–	12,645,226
Modifications to lease contracts	92,756	313,735
Lease payments	(1,015,760)	(1,651,520)
Interest expensed	591,283	626,612
Foreign exchange loss (gain) recorded in other comprehensive loss	35,563	(820,832)
Carrying amount, end of year	$ 12,709,998	$ 13,006,156
Current	$ 1,002,464	$ 1,127,600
Non-current	11,707,534	11,878,556

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(In U.S. dollars)

9. Leases (continued):

Net expenses relating to short-term leases excluded from lease liabilities due to the election of the practical expedient were $477,274 for the year ended January 31, 2024 (2023 – $325,550) and expenses relating to leases of low value assets were nil (2023 – nil). Variable lease payments not included in the measurement of lease liabilities were $440,017 for the year ended January 31, 2024 (2023 - $1,254,206).

D2L Corporation, a subsidiary of the Company, entered into a lease agreement with Catalyst 137 Kitchener L.P ("Catalyst") for office space in Kitchener, Ontario (the "Kitchener Lease"). The Kitchener Lease is recognized in these consolidated financial statements and is described further in note 17(b).

The total future undiscounted lease payments for the Company, including the Kitchener Lease above, are as follows:

February 1, 2024 - January 31, 2025	$	1,553,967
February 1, 2025 - January 31, 2026		1,585,563
February 1, 2026 - January 31, 2027		1,588,520
February 1, 2027 - January 31, 2028		1,504,338
February 1, 2028 – July 31, 2033		9,483,358
Total future undiscounted lease payments		15,715,746
Less impact of discounting		(3,005,748)
Lease liability recorded on consolidated balance sheet	$	12,709,998

(b) As a lessor:

For the year ended January 31, 2024, net receipts from the sublease receivable was $13,150 (2023 - $283,902). For the year ended January 31, 2024, $2,262 was recognized as interest income on subleases (2023 - $2,594).

10. Financial instruments:

(a) 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.

The Company estimated the fair value of its financial instruments as described below:

The carrying values of cash and cash equivalents, trade and other receivables, uninvoiced revenue and accounts payable and accrued liabilities approximate their fair values due to their short-term nature.

10. Financial instruments (continued):

Contingent consideration is classified as a Level 3 financial instrument as the inputs are not observable and there is no market-based activity. The fair value of the contingent consideration has been calculated based on expected future revenue from existing customers and discount rates and was $599,305 as at the acquisition date. At January 31, 2024, management determined that the fair value of the contingent consideration was $583,318 resulting in other income of $15,987.

There were no changes in the categorization of financial instruments in the current or prior years of these Financial Statements.

(b) Currency risk:

A portion of the Company's revenue and operating costs are realized in currencies other than its functional currency. Significant currencies to which the Company has transaction exposure include the Canadian dollar, British pound sterling, and Australian dollar. Thus, the Company is exposed to currency risk on these transactions. For the year ended January 31, 2024, if those currencies had strengthened 5% against the U.S. dollar, with all other variables held constant, pre-tax income for the years would have been an estimated $3,929,134 lower (2023 - $4,351,226 lower). Conversely, if those currencies had weakened 5% against the U.S. dollar with all other variables held constant, there would be an equal, and opposite impact, on pre-tax income.

Additional earnings volatility arises from the translation of monetary assets and liabilities denominated in foreign currencies at the rate of exchange on each date of the consolidated balance sheets, the impact of which is reported as a foreign exchange gain or loss. The summary quantitative data about the Company's exposure to currency risk is as follows (in local currency):

(In U.S. dollars)

10. Financial instruments (continued):

January 31, 2024	CAD	GBP	AUD	SGD	BRL	EUR
Cash and cash equivalents	10,788,605	4,279,580	9,745,074	5,089,982	18,868,483	5,304,763
Trade and other receivables	10,068,571	1,544,703	723,718	1,013,683	1,459,910	1,073,501
Uninvoiced revenue	2,428,084	322,577	–	170,440	3,113,552	–
Accounts payable and accrued liabilities	24,040,743	1,797,339	1,660,253	235,429	419,155	12,735

January 31, 2023	CAD	GBP	AUD	SGD	BRL	EUR
Cash and cash equivalents	10,706,300	3,632,837	8,790,910	3,615,261	14,035,127	5,884,546
Trade and other receivables	9,265,840	1,254,237	178,602	861,506	808,327	969,351
Uninvoiced revenue	1,092,392	71,335	–	242,980	1,642,354	–
Accounts payable and accrued liabilities	18,262,005	1,132,829	1,227,251	232,027	603,572	6,245

The Company does not enter into arrangements to hedge its foreign currency risk exposure.

(c) Credit risk:

Financial instruments potentially exposing the Company to concentration of credit risk consist primarily of cash and cash equivalents and trade and other receivables.

Although the Company deposits its cash with multiple reputable financial institutions, its deposits, at times, may exceed federally insured limits.

(In U.S. dollars)

10. Financial instruments (continued):

The Company maintains an allowance for doubtful accounts receivable balance. The allowance is based upon expected credit loss, with consideration of historical loss patterns, the number of days that billings are past due and an evaluation of the potential risk of loss associated with problem accounts. The Company has credit risk from trade and other receivables and uninvoiced revenue. Credit risk arising from trade and other receivables and uninvoiced revenue is mitigated due to the large number of customers comprising the Company's customer base. Collectability of other receivables, comprising of income tax receivables, sub-lease receivables and government grant receivables, is not considered to have significant credit risk by the Company. Activity in the allowance for doubtful accounts was as follows:

	2024	2023
Balance, beginning of year	$ 276,329	$ 323,459
Provision for uncollectible receivables	585,225	566,618
Write-offs	(551,159)	(613,748)
Balance, end of year	$ 310,395	$ 276,329

As at January 31, 2024, there was one customer that exceeded 10% of the Company's net trade receivables balances. (January 31, 2023 - no customers accounted for more than 10% of net trade receivables).

As at January 31, 2024, the aging of net trade receivables were as follows:

	2024	2023
Current	$ 13,430,386	$ 10,651,271
Past due 1 - 30 days	2,826,026	4,029,274
Past due 31 - 60 days	2,413,199	2,148,282
Past due > 60 days	1,461,833	1,211,730
Balance, end of year	$ 20,131,444	$ 18,040,557

(d) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

10. Financial instruments (continued):

The Company manages its liquidity risk associated with its financial liabilities through the use of cash flows generated from operations, combined with strategic issuance of additional equity as required, to meet the capital requirements of maturing financial liabilities. As at January 31, 2024, the Company had a cash balance of $116,943,499 (2023 - $110,732,236), and trade and other receivables of $23,562,746 (2023 - $21,087,830) available to settle current liabilities (excluding deferred revenue) of $33,909,869 (2023 - $24,578,367).

The Company's accounts payable have contractual maturities of 30 days or are due on demand and are subject to normal trade terms. The Company continues to anticipate that its cash and cash equivalents will be sufficient to fund its anticipated cash requirements for working capital, contractual commitments, capital expenditures and operating needs for the next 12 months.

11. Share capital:

(a) Authorized share capital as at January 31, 2024 and 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 January 31, 2024, the Company had 26,587,497 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.

(In U.S. dollars)

11. Share capital (continued):

(c) Subordinate Voting Shares repurchase for cancellation under normal course issuer bid:

On December 5, 2023, the Company announced the launch of a normal course issuer bid (“NCIB”) to be effected through the facilities of the Toronto Stock Exchange (“TSX”). The NCIB permits the Company to repurchase for cancellation up to 1,299,633 of the Company’s Subordinate Voting Shares, representing approximately 10.0% of the “public float” (within the meaning of the rules of the TSX), during the twelve-month period commencing December 8, 2023.

In connection with the NCIB, the Company entered into an automatic share purchase plan (“ASPP”) with its designated broker for the purpose of allowing the Company to purchase its shares under the NCIB during self-imposed trading blackout periods. Under the ASPP, the broker is authorized to repurchase Subordinate Voting Shares during blackout periods, without consultation with the Company, on predefined terms, including share price, time period and subject to other limitations imposed in advance by the Company and subject to rules and policies of the TSX and applicable securities laws, such as a daily purchase restriction.

During the year ended January 31, 2024, the Company repurchased and canceled 41,200 Subordinate Voting Shares under the NCIB for an aggregate purchase price of $322,914, which was recorded as a reduction of share capital. The Company has recognized a liability and a charge to deficit of $2,264,410 for the repurchase of common shares under the ASPP within accounts payable and accrued liabilities as at January 31, 2024, as an estimate of the maximum number of shares that could be repurchased during the blackout period.

12. Loss per share:

Loss per share is calculated by dividing loss for the years by the weighted average number of fully paid Subordinate Voting Shares and Multiple Voting Shares outstanding throughout the years.

		2024		2023
Loss for the period	$	(3,542,089)	$	(18,376,725)
Weighted average number of outstanding shares		53,554,686		53,029,605
Loss per share - basic and dilutive	$	(0.07)	$	(0.35)

(In U.S. dollars)

12. Loss per share (continued):

The Company has three categories of potentially dilutive securities: stock options, restricted stock units and deferred share units.

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 those periods. Including the dilutive securities would be anti-dilutive; therefore, basic and dilutive number of shares used in the calculation is the same for all periods presented.

13. Stock-based compensation:

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

	2024	2023
Cost of subscription and support	$ 261,101	$ 234,759
Cost of professional services and other	302,938	134,697
Sales and marketing	931,989	1,276,530
Research and development	2,917,504	2,656,328
General and administrative	4,873,356	3,435,588
	$ 9,286,888	$ 7,737,902

(a) Legacy stock option plan:

The D2L Stock Option Plan (the “Legacy Stock Option Plan”), adopted by the Company on August 24, 2012 and subject to subsequent amendment and restatement, authorized the issuance of options to purchase Class O common shares. Immediately prior to the closing of the initial public offering on November 3, 2021, each outstanding option to purchase a Class O common share became an option to purchase a Subordinated Voting Share, with other terms and conditions unchanged. This modification did not result in incremental fair value. Effective November 3, 2021, no further grants under the Legacy Stock Option Plan are permitted.

Outstanding stock options generally vest 25% after a one-year period from the grant date, with the remaining 75% vesting quarterly thereafter over the next 4 years and expire after 10 years.

During the year ended January 31, 2024, the Company recognized stock-based compensation expense of $344,417 (2023 – $570,977) related to stock options.

(In U.S. dollars)

13. Stock-based compensation (continued):

The Company's Legacy Stock Option Plan provides for the issuance of up to 11,200,000 options to purchase Subordinate Voting Shares. As of January 31, 2024, 2,103,812 stock options (2023 – 2,991,307) were issued and outstanding and nil (2023 – nil) remained available for grant under the Legacy Stock Option Plan. A summary of stock option activity 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 granted	–	–	–
Options forfeited	(4,435,712)	7.40	–
Options exercised	(120,224)	5.21	–
Balance, January 31, 2023	2,991,307	$ 5.99	4.77
Options granted	–	–	–
Options forfeited	(282,174)	5.70	–
Options exercised	(605,321)	5.20	–
Balance, January 31, 2024	2,103,812	$ 6.25	4.63
Exercisable, end of year	1,818,345	$ 5.86	4.28

Options outstanding and options exercisable as at January 31, 2024 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	1,516,131	3.73	$ 5.16	1,459,424
$6.01 - $7.00	6.50	287,199	6.69	6.50	193,275
$7.01 - $8.00	7.44	2,324	1.05	7.44	2,324
$8.01 - $9.00	8.48	72,800	6.84	8.48	45,325
$9.01 - $10.00	9.55	65,358	6.96	9.55	37,997
$10.01 - $14.00	13.77	160,000	7.51	13.77	80,000
	$ 6.25	2,103,812	4.63	$ 5.86	1,818,345

The Company uses the Black-Scholes pricing model to determine the fair value of stock options. The fair value of each option grant is estimated on the date of the grant.

13. Stock-based compensation (continued):

(b) Long Term Incentive Plan:

The D2L Long Term Incentive Plan (the “LTIP Plan”), adopted by the Company on November 3, 2021, authorizes the issuance of options, restricted share units (“RSUs”), performance share units (“PSUs”), stock appreciation rights (“SARs”) and restricted stock to employees and certain service providers. The combined number of Subordinated Voting Shares issued or issuable under the LTIP Plan and all other stock-based compensation arrangements (including the DSU Plan discussed below but excluding the Legacy Stock Option Plan) cannot exceed ten percent of the Company’s issued and outstanding Subordinated Voting Shares and Multiple Voting Shares, in aggregate. Subordinated Voting Shares related to awards that terminate or are cancelled without being settled are available for subsequent grant. As at January 31, 2024, only RSUs have been granted under the LTIP Plan.

Restricted Share Units

RSUs represent a right to receive, upon settlement, (a) a Subordinated Voting Share for each vested RSU , (b) a cash payment equal to the market price of vested RSUs , or (c) a combination thereof. The manner of settlement is at the sole discretion of the board of directors of the Company and the Company has no history nor the intention in the foreseeable future of settling RSUs in cash. Accordingly, RSUs are accounted for as equity awards. Dividend equivalent RSUs may be granted in respect of Subordinated Voting Shares covered by RSUs and would be subject to the same terms and conditions as the corresponding RSUs. Outstanding RSUs generally vest one-third annually over a three-year period. The fair value of RSUs is based on the Subordinated Voting Share volume weighted average price during the trading day immediately preceding the date of grant. RSUs will generally be settled upon or shortly after vesting.

(In U.S. dollars)

13. Stock-based compensation (continued):

During the year ended January 31, 2024, the Company recognized stock-based compensation expense of $7,989,322 (2023 – $6,798,488) related to RSUs. A summary of RSU activity 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
RSUs granted	1,795,789	8.32
RSUs forfeited	(474,737)	8.82
RSUs settled	(776,925)	9.73
Balance, January 31, 2024	2,720,188	$ 8.48
Vested but not yet settled, January 31, 2024	–	–

(c) Deferred Share Unit Plan:

The D2L Deferred Share Unit Plan (the "DSU Plan"), adopted by the Company on November 3, 2021, authorizes the issuance of deferred share units ("DSUs") to non-employee directors. Non-employee directors receive an annual DSU retainer fee ("Annual DSU Retainer Fee") in the form of DSUs and can elect to receive their annual cash remuneration ("Annual Cash Remuneration") in DSUs. The Company is also able to issue additional DSUs to non-employee directors at its discretion, subject to certain limitations. As at January 31, 2024, Annual DSU Retainer Fees in form of DSUs, DSUs related to the settlement of Annual Cash Remuneration, and DSUs related to the onboarding of a new non-employee director have been granted.

DSUs represent a right to receive (a) a Subordinated Voting Share for each DSU redeemed, (b) a cash payment equal to the market price of DSUs redeemed, or (c) a combination thereof. The manner of settlement is at the sole discretion of the Company and the Company has no history nor the intention in the foreseeable future of settling DSUs in cash. Accordingly, DSUs are accounted for as equity awards.

13. Stock-based compensation (continued):

For the Annual DSU Retainer Fee, DSU's credited to a non-employee director's account generally vest at the earlier of: (i) one year from their date of grant; and (ii) completion of the next Annual General Meeting, provided that a non-employee director does not terminate prior to the vesting date. For non-employee directors that have elected to receive their Annual Cash Remuneration in DSU's, these DSU's are credited to a non-employee director's account and are fully vested at their issuance date, which is at the end of each fiscal quarter during which the related Annual Cash Remuneration was earned. DSU's become redeemable for a certain period of time upon termination of the holder.

The maximum number of Subordinated Voting Shares that may be issued under the DSU Plan is five percent of the number of issued and outstanding Subordinated Voting Share and Multiple Voting Shares, in aggregate, on a non-diluted basis at any time, provided that the combined number of Subordinated Voting Shares issued or issuable under the DSU Plan and all other stock-based compensation arrangements (including the LTIP Plan discussed above but excluding the Legacy Stock Option Plan) does not exceed ten percent of the Company's issued and outstanding Subordinated Voting Share and Multiple Voting Shares, in aggregate. Subordinated Voting Shares subject to DSUs that terminate or are cancelled without being settled are available for subsequent grant.

Settlement of Annual Cash Remuneration

If a non-employee director elects to receive DSUs as settlement for all or a portion of their Annual Cash Remuneration, the grant date for accounting purposes is the date at which the election becomes irrevocable, and the grant date fair value is based on the value of the related Annual Cash Remuneration. These DSUs vest at the end of the fiscal quarter during which the related Annual Cash Remuneration was earned. DSUs are issued on the last day of the fiscal quarter in which the related Annual Cash Remuneration was earned.

(In U.S. dollars)

13. Stock-based compensation (continued):

During the year ended January 31, 2024, the Company recognized stock-based compensation expense of $953,149 (2023 – $368,437) related to DSUs granted during the period. 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, 2022	1,283	$ 14.48
DSUs granted	173,316	6.91
DSUs forfeited	–	–
DSUs settled	–	–
Balance, January 31, 2023	174,599	$ 6.97
DSUs granted	155,719	8.27
DSUs forfeited	–	–
DSUs settled	–	–
Balance, January 31, 2024	330,318	$ 7.58
Vested but not yet settled, January 31, 2024	143,115	$ 7.12

(In U.S. dollars)

14. Income taxes:

Loss before income taxes is earned in the following jurisdictions:

	2024	2023
Loss before income taxes:		
Canada	$ (5,352,173)	$ (19,651,721)
United States	1,502,368	1,436,073
Other countries	654,240	273,011
	$ (3,195,565)	$ (17,942,637)

Income tax expense (recovery):

	2024	2023
Current income taxes (recovery):		
Current period	$ 554,864	$ 522,603
Change in estimates of prior periods	81,862	(18,941)
	636,726	503,662
Deferred income taxes (recovery):		
Current period	$ (39,693)	$ (18,180)
Change in tax rates	–	(2,884)
Change in estimates of prior periods	(250,509)	(48,510)
	(290,202)	(69,574)
	$ 346,524	$ 434,088

(In U.S. dollars)

14. Income taxes (continued):

The following tables present the tax effects of temporary differences and carry-forwards, as well as the movements in deferred tax balances, which have been recognized by the Company:

	January 31, 2023	Recognized in profit or loss	Current year acquisition	January 31, 2024
Deferred tax assets:				
Operating losses carried forward	$ 312,384	$ 1,598,952	–	$ 1,911,336
Non-deductible reserve for deferred revenue	343,030	(343,030)	–	–
Other temporary differences	51,350	720,446	–	771,796
Lease Liability	2,957,753	(475,412)	–	2,482,341
Property and equipment	52,807	11,171	–	63,978
	3,717,324	1,512,127	–	5,229,451
Deferred tax liabilities:				
Intangible assets	$ –	$ (13,019)	$ 137,875	$ 124,856
Non-deductible reserve for deferred revenue	–	109,969	–	109,969
Right-of-use assets	2,962,398	(480,057)	–	2,482,341
Deferred commissions and other expenses	812,382	(256,922)	–	555,460
Goodwill	82,864	38,699	–	121,563
Foreign exchange gain on intercompany loan	69,408	1,823,255	–	1,892,663
	3,927,052	1,221,925	137,875	5,286,852
Net deferred tax asset (liabilities)	$ (209,728)	$ 290,202	$ (137,875)	$ (57,401)
As presented on the consolidated balance sheets:				
Deferred tax assets	$ 189,178			$ 529,674
Deferred tax liabilities	(398,906)			(587,075)
Net deferred tax liabilities	$ (209,728)			$ (57,401)

(In U.S. dollars)

14. Income taxes (continued):

	January 31, 2022	Recognized in profit or loss	January 31, 2023
Deferred tax assets:			
Operating losses carried forward	$ 867,887	$ (555,503)	$ 312,384
Non-deductible reserve for deferred revenue	111,707	231,323	343,030
Other temporary differences	73,021	(21,671)	51,350
Lease liability	363,140	2,594,613	2,957,753
Property and equipment	53,275	(468)	52,807
	1,469,030	2,248,294	3,717,324
Deferred tax liabilities:			
Intangible assets	$ 455,269	$ (455,269)	$ –
Tax on scientific research and development investment tax credit	78,643	(78,643)	–
Non-deductible reserve for deferred revenue	44,238	(44,238)	–
Right-of-use assets	367,212	2,595,186	2,962,398
Deferred commissions and other expenses	646,571	165,811	812,382
Goodwill	44,924	37,940	82,864
Foreign exchange gain on intercompany loan	111,475	(42,067)	69,408
	1,748,332	2,178,720	3,927,052
Net deferred tax assets (liabilities)	$ (279,302)	$ 69,574	$ (209,728)
As presented on the consolidated balance sheets:			
Deferred tax assets	$ 139,101		$ 189,178
Deferred tax liabilities	(418,403)		(398,906)
Net deferred tax assets (liabilities)	$ (279,302)		$ (209,728)

IAS 12 provides for the recognition of deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. In reviewing the carrying amounts of the deferred tax assets at the end of January 31, 2024 and January 31, 2023, the Company considered all available evidence, both positive and negative, including historical levels of income, legislative developments, expectations and risks associated with estimates of future taxable income, and ongoing prudent and feasible tax planning strategies.

(In U.S. dollars)

14. Income taxes (continued):

The provision (recovery) for income taxes varies from the expected provision at the statutory rates for the reasons detailed in the table below:

	2024	2023
Combined basic Canadian statutory rates	26.5%	26.5%
Income tax recovery based on the above rates	$ (846,825)	$ (4,754,799)
Increase (decrease) in income taxes resulting from:		
Permanent differences	2,773,124	2,436,156
Effect of tax rate differences	(22,242)	(49,214)
Change in estimates of prior periods	(168,647)	(67,451)
Recognition of previously unrecognized tax losses	(1,798,810)	–
Origination and reversal of temporary differences	274,645	1,705,132
Other	(80,790)	354,118
Current year losses for which no deferred tax asset is recognized	216,069	810,146
Income tax expense (recovery)	$ 346,524	$ 434,088

The Company has certain Canadian-based deferred tax attributes, but has not recognized a deferred tax asset, in respect of the following deductible temporary differences and losses:

	2024	2023
Operating losses carried forward	$ 25,199,894	$ 34,898,868
Capital losses carried forward	13,164,133	1,290,898
SRED eligible expenditures pool	33,411,408	33,315,776
Property and equipment	2,946,266	3,152,692
Intangible assets	3,343,798	3,342,000
Leases	3,357,566	1,816,269
Deferred financing fees	1,137,107	4,657,199
Unrealized foreign exchange losses	–	5,385,673
Other temporary differences	250,210	175,446
Total	$ 82,810,382	$ 88,034,821

(In U.S. dollars)

14. Income taxes (continued):

The Company has Canadian net operating loss carry forwards of $25,199,894 (2023 – $34,898,868) for which no deferred tax asset has been recognized.

The global net operating losses expire as follows:

Expiry year	Canada
2034 and thereafter	$ 25,199,894

The Company has capital loss carry forwards in Canada totalling $13,164,133 (2023 - $1,290,898). These losses do not expire. Other unrecognized deductible temporary differences do not expire.

The Company has not recognized deferred tax liabilities associated with investments in subsidiaries with aggregate temporary differences of $3,961,003 (2023 – $2,375,800) because the company controls whether the liability will be incurred.

15. Commitments and contingencies:

(a) Commitments:

In October 2020, the Company entered into a six-year contract with a hosting services provider whereby the minimum committed spend was $75 million over for the term of the contract. As at January 31, 2024, the Company's remaining committed spend is $11.8 million.

Similarly in October 2020, the Company entered into a contract with a business intelligence tool provider which requires a minimum payment of $1.4 million in fiscal 2024. As at January 31, 2024, the Company's remaining committed spend is $0.7 million.

In October 2021, the Company entered into the Kitchener Lease with Catalyst, as described in note 9 and note 17(b). The Kitchener Lease commenced on February 1, 2022 and terminates on July 31, 2033. The total committed spend is $15.1 million over the next 10 fiscal years.

15. Commitments and contingencies (continued):

(b) Contingencies:

The learning technologies offered by the Company are typically warranted to function in a manner materially consistent with applicable documentation under normal use and circumstances.

The Company's customers are given service level commitments regarding levels of uptime and permitting such customers to receive credits in the event that such commitments are not met. To date, the Company has not incurred any material costs as a result of such commitments and has not accrued any material liabilities related to such obligations.

Arrangements with customers also generally include provisions indemnifying customers against certain liabilities, including if the Company's products or services infringe a third-party's intellectual property rights. The Company may also incur liabilities if it breaches the security and/or confidentiality obligations in its contracts. The Company has not incurred any material costs as a result of such indemnifications and has not accrued any liabilities related to such obligations.

The Company has agreed to indemnify its respective directors and officers for costs incurred by any of these persons in any proceeding to which any of those persons is, or is threatened to be, made a party by reason of the person's service as a director or officer, including any action by the Company, arising out of that person's services as the Company's director or officer or that person's services provided to any other company or enterprise at the Company's request. The Company maintains director and officer insurance coverage that may enable the Company to recover a portion of any future amounts paid.

The Company, from time to time, is subject to other claims and suits relating to matters in the ordinary course of business. The Company believes that any ultimate liability resulting from any such litigation will not have a material adverse effect on the Company's consolidated results of operations, cash flows or financial position.

16. Government assistance:

During 2019, the Company entered into a Conditional Grant Agreement with the Province of Ontario under the Minister of Economic Development and Growth (the "Province"). The agreement provides a maximum grant of $8,220,000 over the term of the agreement which ended January 31, 2024, and is contingent upon the Company meeting certain cumulative job and specified expenditure targets over the term of the agreement. The Province reserves the right to repayment in the event of non-compliance. The Province reserves the right to terminate the agreement at any time. The Company was compliant with the requirements of the grant as at January 31, 2024 and 2023.

During 2024, the Company recognized grants of $1,425,842 (2023 – $2,230,446) under a payment in arrears model, whereby funding is received after the achievement of certain milestones pursuant to the terms of the agreement. The grants were recorded as a reduction of the related expenses in the consolidated statements of comprehensive loss. As at January 31, 2024, the balance receivable from the Province was $1,608,352 (2023 – $2,169,666) and is included within other receivables disclosed in note 4.

As at January 31, 2024, the Company has available Canadian federal non-refundable investment tax credits of $5,572,590 (2023 - $5,556,640) related to research and development expenditures which may be used to reduce federal income taxes payable in future years. These non-refundable investment tax credits begin to expire in 2032 and thereafter. The benefits of these non-refundable investment tax credits have not been recognized in the consolidated financial statements.

(In U.S. dollars)

17. 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 $106,063 for the year ended January 31, 2024 (2023 - $90,671) related to service agreements with Virtual High School Ontario ("VHS"), a corporation controlled by family members of John Baker, the Company's Chief Executive Officer ("CEO"), and in which John Baker had a minority interest. As at January 31, 2024, the Company had $10,768 (2023 - nil) in trade receivables from this related party. The VHS Agreement was renewed on November 23, 2023 for an additional three-year term that ends on December 31, 2026.

(b) On October 15, 2021, D2L Corporation, a subsidiary of the Company, entered into a lease agreement with Catalyst 137 Kitchener L.P ("Catalyst") for office space in Kitchener, Ontario (the "Kitchener Lease"). 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 $1,863,393 for the year ended January 31, 2024 (2023 – $1,666,063).

During the period ended October 31, 2023, the Company received a lease incentive amounting to $961,920. The lease incentive represents a reimbursement from the lessor for applicable leasehold improvements. The lease incentive was recorded as a reduction to the right-of-use asset.

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

	CAD	USD
February 1, 2024 - January 31, 2025	$ 1,783,476	$ 1,327,989
February 1, 2025 - January 31, 2026	1,858,854	1,384,116
February 1, 2026 - January 31, 2027	1,937,954	1,443,014
February 1, 2027 - January 31, 2028	2,020,311	1,504,338
February 1, 2028 – July 31, 2033	12,736,055	9,483,358
Total undiscounted commitment	$ 20,336,650	$ 15,142,815

(In U.S. dollars)

17. Related party transactions (continued):

Compensation of key management personnel:

The Company defines key management as the Board of Directors, the CEO and their direct reports. The compensation paid or payable to key management is shown in the following table. The remuneration of key management personnel during the year, was as follows:

	2024	2023
Salaries and other short-term benefits	$ 5,272,590	$ 3,558,722
Stock-based payments	4,651,954	3,067,539
	$ 9,924,544	$ 6,626,261

The remuneration of key management personnel is determined by the Board of Directors having regard to the performance of individuals and market trends.

18. Capital management:

The Company's capital is composed of shareholders' equity. The Company's objectives in managing its capital is to ensure financial stability and sufficient liquidity to increase shareholder value through organic growth and investment in sales, marketing and product development, and inorganic growth when it supports our growth strategy. The Company's senior management is responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and investments to support its growth strategy. The Board of Directors is responsible for overseeing this process. The capital structure of the Company is adjusted on a timely basis, in line with its risk tolerance levels, depending on changes in the economic environment and in the risks of the underlying assets. In order to maintain or adjust its capital structure, the Company could issue new shares, repurchase shares, approve special dividends or issue debt.

The Company is not subject to externally imposed capital requirements.

(In U.S. dollars)

19. Employee benefits:

The total employee compensation comprising of salaries and benefits, excluding grants and tax credits, for the year ended January 31, 2024 was $115,635,939 (2023 - $108,824,715).

The Company has a defined contribution pension plan for its eligible employees. The total cost recognized for the company's defined contribution plan is $2,972,271 (2023 - $2,280,039).

20. 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, is as follows:

	2024	2023
Canada	$ 47,844,420	$ 42,694,723
United States	100,912,525	97,172,744
Rest of world	33,623,530	28,528,949
Total	$ 182,380,475	$ 168,396,416

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

(In U.S. dollars)

20. Operating segments (continued):

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:

	2024	2023
Canada	$ 8,216,610	$ 4,057,800
United States	93,989	94,291
Rest of world	117,135	135,004
Total	$ 8,427,734	$ 4,287,095

Right-of-use assets:

	2024	2023
Canada	$ 8,774,960	$ 11,161,334
Rest of world	–	44,037
Total	$ 8,774,960	$ 11,205,371

Intangible assets:

	2024	2023
Canada	$ 270,779	$ 288,099
Rest of world	499,928	–
Total	$ 770,707	$ 288,099

(In U.S. dollars)

21. Acquisition of Connected Shopping Ltd:

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 operating results of the acquired company have been consolidated into the Company's results subsequent to the acquisition date.

The acquisition was accounted for as a business combination under the acquisition method. The purchase price consists of initial cash consideration of $2,921,851, post-closing working capital adjustments of $26,896, contingent consideration with a fair value at the date of acquisition of $599,305, and the effective settlement of the pre-existing prepaid balance of $305,413, resulting in total consideration of $3,853,465. Upon revaluation as at January 31, 2024, the liability associated with the contingent consideration decreased by $15,987 in the consolidated statements of financial position, and has a potential maximum contractual payment of $690,000. The contingent consideration is payable to the selling shareholders upon achieving certain customer churn targets by the first and second anniversary dates following the acquisition.

The Company has prepared a preliminary purchase price allocation of the assets acquired and the liabilities assumed of Connected Shopping based on management's best estimates of fair value. The final purchase price allocation may vary based on final appraisals, valuations and analyses of the fair value of the acquired assets and assumed liabilities:

Cash	$ 155,567
Trade and other receivables	264,720
Prepaid expenses	210,810
Property and equipment	21,995
Intangible assets:	
Customer relationship	249,000
Software	302,500
Less:	
Accounts payable and accrued liabilities	(294,673)
Deferred revenue	(238,194)
Deferred income taxes	(137,875)
	$ 533,850
Goodwill	3,319,615
Total consideration	$ 3,853,465

21. Acquisition of Connected Shopping Ltd (continued):

There are also payments up to $690,000 in the form of post-combination compensation which are subject to the continued employment of specific employees, on the first and second-anniversary dates following the acquisition in equal installments of $345,000.

Accounts receivable comprise gross total contractual amounts due of $96,213 all of which have been collected in full.

Amortization of the customer relationships and proprietary software that was acquired is calculated using the straight-line method over their respective useful lives of eight and five years, respectively.

The goodwill recognized upon acquisition is attributable to expected synergies in adding Course Merchant to the Company's product offerings, and the estimated fair value of an assembled workforce. The entire goodwill balance is not deductible for tax purposes.

The Company incurred acquisition related costs of $809,265 for the year ended January 31, 2024, respectively, including professional fees and post-combination compensation, which are recorded within General and Administrative expenses and Research and Development expenses.

Since the date of acquisition, the acquisition has not had a significant impact on revenue or net income/(loss) for the year ended January 31, 2024. Pro forma results of operations for this acquisition have not been presented because they are not material to the Company's consolidated results of operations.

22. Subsequent event:

On April 3, 2024, the Company, entered into a binding letter agreement (the "Letter Agreement") to spin-off the D2L Wave service offering into a standalone independent legal entity, SkillsWave Corporation ("SkillsWave").

A corporation owned by John Baker, the Company's CEO, will be purchasing the majority ownership of SkillsWave from the Company. The Board of Directors constituted a Special Committee (the "Special Committee") of independent directors of the Company to assess and advise the Board with respect to the transaction, and oversee its negotiation, as well as to assess possible alternatives. The Special Committee determined that the transaction would be in the best interests of the Company and recommended that the Board approve the entering into of the Letter Agreement. The Board of Directors approved, with John Baker abstaining and being recused on account of his conflict of interest in the matter.

Pursuant to the Letter Agreement, the parties have agreed to enter into definitive agreements by mid-year.

22. Subsequent event (continued):

A corporation owned by John Baker will acquire 70% equity interest in SkillsWave from the Company in exchange for consideration of CAD $1,120,000 payable in cash. The Company will maintain a 30% ownership interest in SkillsWave and will maintain minority Board representation.

The Company will provide a loan to SkillsWave in the amount of $9,500,000 maturing in five years and payable at maturity, bearing interest rate at the Canadian prime rate per annum, compounded annually. The loan will be advanced in tranches with $5,000,000 advanced upon closing of the transaction, and the remaining $4,500,000 advanced upon the six-month anniversary of closing. The loan principal and accrued interest will be convertible at the option of the Company into non-voting shares of SkillsWave, that together with any shares acquired at closing by D2L, may not exceed a maximum 37.5% ownership interest in SkillsWave. The loan is secured by all assets of SkillSWave constituting first priority security interest, subjected to permitted liens.

The Company will enter into a Transition Services Agreement with SkillsWave, to provide administrative services on a cost recovery basis to support the orderly transition of the Wave service offering from D2L to SkillsWave, which transition is expected to be completed on or before January 31, 2025, subject to permitted extensions.