

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

D2L INC.

For the three and nine months ended October 31, 2024 and 2023
(Unaudited)

D2L INC.

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

As at October 31, 2024 and January 31, 2024
(Unaudited)

	October 31, 2024	January 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 108,252,331	$ 116,943,499
Trade and other receivables (note 3)	20,379,489	23,025,690
Uninvoiced revenue	3,896,203	3,971,861
Prepaid expenses	6,559,188	10,517,226
Deferred commissions	5,134,323	5,334,864
	144,221,534	159,793,140
Non-current assets:		
Other receivables (note 3)	480,621	537,056
Prepaid expenses	381,939	119,872
Deferred income taxes	573,268	529,674
Right-of-use assets	8,127,082	8,774,960
Property and equipment	7,402,295	8,427,734
Deferred commissions	7,449,801	7,730,724
Investment in associate (note 14)	21,248	—
Loan receivable from associate (note 7)	5,120,885	—
Intangible assets (note 4)	18,073,003	770,707
Goodwill (note 5)	26,379,860	10,440,091
Total assets	$ 218,231,536	$ 197,123,958
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 28,615,437	$ 32,635,926
Deferred revenue	105,842,166	93,727,368
Lease liabilities	1,396,079	1,002,464
Contingent consideration (note 6)	4,893,539	271,479
	140,747,221	127,637,237
Non-current liabilities:		
Deferred income taxes	4,119,188	587,075
Lease liabilities	10,660,223	11,707,534
Contingent consideration (note 6)	—	311,839
	14,779,411	12,606,448
	155,526,632	140,243,685
Shareholders' equity:		
Share capital (note 8)	367,288,877	364,830,884
Additional paid-in capital	48,190,065	47,485,107
Accumulated other comprehensive loss	(7,333,643)	(4,998,317)
Deficit	(345,440,395)	(350,437,401)
	62,704,904	56,880,273
Related party transactions (note 11)		
Subsequent event (note 16)		
Total liabilities and shareholders' equity	$ 218,231,536	$ 197,123,958

See accompanying notes to the condensed consolidated interim financial statements.
On behalf of the Board of Directors:

(signed) John Baker, Director

(signed) J. Ian Giffen, Director

D2L INC.

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

For the three and nine months ended October 31, 2024 and 2023
(Unaudited)

	Three months ended October 31		Nine months ended October 31	
	2024	2023	2024	2023
Revenue:				
Subscription and support	$ 46,751,998	$ 41,449,926	$ 133,723,027	$ 120,045,266
Professional service and other	7,547,470	4,662,769	18,239,685	14,765,509
	54,299,468	46,112,695	151,962,712	134,810,775
Cost of revenue:				
Subscription and support	12,777,133	11,884,640	36,651,859	33,977,839
Professional services and other	4,132,232	3,627,638	11,870,394	10,671,456
	16,909,365	15,512,278	48,522,253	44,649,295
Gross profit	37,390,103	30,600,417	103,440,459	90,161,480
Expenses:				
Sales and marketing	12,806,266	12,807,855	40,302,476	40,209,601
Research and development	11,139,920	12,351,201	35,294,478	36,015,722
General and administrative	8,651,729	7,102,165	25,231,988	20,603,875
	32,597,915	32,261,221	100,828,942	96,829,198
Income (loss) from operations	4,792,188	(1,660,804)	2,611,517	(6,667,718)
Interest and other income (expense):				
Interest expense	(235,892)	(157,582)	(550,438)	(456,456)
Interest income	870,355	1,221,704	2,899,093	2,938,216
Other income (expense)	(122,043)	(10,355)	(122,000)	4,897
Gain on SkillsWave disposal transaction (note 11)	–	–	917,395	–
Foreign exchange gain	224,145	314,938	307,859	380,417
	736,565	1,368,705	3,451,909	2,867,074
Income (loss) before income taxes	5,528,753	(292,099)	6,063,426	(3,800,644)
Income taxes (recovery):				
Current	246,162	43,883	602,830	435,294
Deferred	(264,457)	51,613	(396,134)	(130,838)
	(18,295)	95,496	206,696	304,456
Income (loss) for the period	5,547,048	(387,595)	5,856,730	(4,105,100)
Other comprehensive gain (loss):				
Foreign currency translation gain (loss)	137,532	(1,556,171)	(2,335,326)	(1,020,872)
Comprehensive income (loss)	$ 5,684,580	$ (1,943,766)	$ 3,521,404	$ (5,125,972)
Earnings (loss) per share – basic (note 9)	$ 0.10	$ (0.01)	$ 0.11	$ (0.08)
Earnings (loss) per share – diluted (note 9)	$ 0.10	$ (0.01)	$ 0.10	$ (0.08)
Weighted average number of common shares – basic (note 9)	54,453,244	53,703,768	54,282,281	53,454,498
Weighted average number of common shares – diluted (note 9)	56,032,694	53,703,768	55,828,067	53,454,498

See accompanying notes to the condensed consolidated interim financial statements.

D2L INC.

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

For the nine months ended October 31, 2024 and 2023
(Unaudited)

	Share Capital		Additional paid-in capital	Accumulated other comprehensive loss	Deficit	Total
	Shares	Amount				
Balance, January 31, 2024	53,978,085	$ 364,830,884	$ 47,485,107	$ (4,998,317)	$ (350,437,401)	$ 56,880,273
Issuance of Subordinate Voting Shares on exercise of options	410,397	3,443,979	(1,804,429)	—	—	1,639,550
Issuance of Subordinate Voting Shares on settlement of restricted share units	374,307	1,416,155	(4,602,395)	—	—	(3,186,240)
Stock-based compensation (note 10)	—	—	7,111,782	—	—	7,111,782
Repurchase of share capital for cancellation under NCIB (note 8)	(306,880)	(2,402,141)	—	—	—	(2,402,141)
Change in share repurchase commitment under ASPP (note 8)	—	—	—	—	(859,724)	(859,724)
Other comprehensive loss	—	—	—	(2,335,326)	—	(2,335,326)
Income for the period	—	—	—	—	5,856,730	5,856,730
Balance, October 31, 2024	54,455,909	$ 367,288,877	$ 48,190,065	$ (7,333,643)	$ (345,440,395)	$ 62,704,904
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	381,794	3,414,019	(1,443,627)	—	—	1,970,392
Issuance of Subordinate Voting Shares on settlement of restricted share units	218,010	988,410	(2,474,669)	—	—	(1,486,259)
Stock-based compensation (note 10)	—	—	7,237,274	—	—	7,237,274
Other comprehensive loss	—	—	—	(1,020,872)	—	(1,020,872)
Loss for the period	—	—	—	—	(4,105,100)	(4,105,100)
Balance, October 31, 2023	53,746,334	$ 362,042,253	$ 49,403,139	$ (6,022,677)	$ (348,736,002)	$ 56,686,713

See accompanying notes to the condensed consolidated interim financial statements.

D2L INC.

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

For the nine months ended October 31, 2024 and 2023
(Unaudited)

	2024	2023
Operating activities:		
Income (loss) for the period	$ 5,856,730	$ (4,105,100)
Items not involving cash:		
Depreciation of property and equipment	1,285,970	1,158,782
Depreciation of right-of-use assets	945,223	927,605
Amortization of intangible assets (note 4)	723,100	60,159
Gain on disposal of property and equipment	(51,476)	(16,194)
Stock-based compensation (note 10)	7,111,782	7,237,274
Net interest income	(2,348,655)	(2,481,760)
Income tax expense	206,696	304,456
Gain on SkillsWave disposal transaction (note 11)	(917,395)	—
Loss from equity accounted investee (note 14)	416,850	—
Fair value gain on loan receivable from associate (note 7)	(120,885)	—
Changes in operating assets and liabilities:		
Trade and other receivables	3,784,969	1,041,252
Uninvoiced revenue	(37,023)	(440,936)
Prepaid expenses	3,503,610	1,073,501
Deferred commissions	296,245	(1,105,606)
Accounts payable and accrued liabilities	(6,410,785)	1,952,832
Deferred revenue	11,573,770	13,243,128
Right-of-use assets and lease liabilities	(44,962)	(57,530)
Interest received	2,878,878	2,938,216
Interest paid	(19,343)	(9,815)
Income taxes paid	(596,646)	(549,475)
Cash flows from operating activities	28,036,653	21,170,789
Financing activities:		
Payment of lease liabilities	(1,344,625)	(575,023)
Lease incentive received	103,128	935,025
Proceeds from exercise of stock options	1,639,550	1,970,392
Taxes paid on settlement of restricted share units	(3,186,240)	(1,486,259)
Repurchase of share capital for cancellation under NCIB (note 8)	(2,402,141)	—
Cash flows (used in) from financing activities	(5,190,328)	844,135
Investing activities:		
Purchase of property and equipment	(521,775)	(5,178,461)
Proceeds from disposal of property and equipment	51,476	16,537
Acquisition of business, net of cash acquired (note 15)	(22,308,927)	(2,793,180)
Payment of contingent consideration (note 6)	(249,436)	—
Transfer of cash on disposal of SkillsWave (note 11)	(1,483,357)	—
Proceeds from sale of majority ownership stake in SkillsWave (note 11)	809,038	—
Issuance of loan to SkillsWave (note 7)	(5,000,000)	—
Cash flows used in investing activities	(28,702,981)	(7,955,104)
Effect of exchange rate changes on cash and cash equivalents	(2,834,512)	(1,701,358)
(Decrease) increase in cash and cash equivalents	(8,691,168)	12,358,462
Cash and cash equivalents, beginning of period	116,943,499	110,732,236
Cash and cash equivalents, end of period	$ 108,252,331	$ 123,090,698

See accompanying notes to the condensed consolidated interim financial statements.

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

1. Basis of presentation:

(a) Statement of compliance and consolidation:

These unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended January 31, 2024 (the "Annual Financial Statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the Annual Financial Statements.

These Interim Financial Statements were authorized for issuance by the Board of Directors on December 4, 2024.

(b) Basis of consolidation:

These Interim Financial Statements include the accounts of (i) D2L Inc.; (ii) its wholly owned subsidiaries: D2L Corporation; D2L Commerce Inc.; 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 India Private Limited; D2L Sistemas de Aprendizaje Innovadores, Sociedad De Responsabilidad Limitada De Capital Variable; Connected Shopping Ltd ("Connected Shopping") which was acquired by the Company on May 9, 2023; and H5P Group AS ("H5P") which was acquired by the Company on July 9, 2024; and (iii) SkillsWave Corporation ("SkillsWave"), a wholly-owned subsidiary incorporated on April 2, 2024, until the disposal of D2L's controlling interest on June 28, 2024, at which time the Company recognized an equity investment in SkillsWave. See Note 11 for additional details. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed.

1. Basis of presentation (continued):

(c) Seasonality of interim operations:

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

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

(d) Use of estimates and judgments:

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

Classification and measurement of loan receivable from associate

The Company determines the business model of the loan receivable from associate as held-to-collect, based on management's intent and strategic objective to collect contractual cash flows on the financial instrument. In evaluating whether its contractual cash flows represent solely payments of principal and interest ("SPPI"), the Company considers the contractual terms of the instrument, including assessing whether the financial asset contains contractual terms that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. The Company determines the loan receivable from associate would not meet the SPPI test given the conversion option of the loan. Accordingly, the Company classifies and measures the financial asset as fair value through profit and loss. Refer to Note 6 for additional information on the method and assumptions used to determine fair value and Note 7 for additional information on the terms of the loan.

1. Basis of presentation (continued):

Fair value of acquired intangible assets

The Company estimates the fair value of acquired technology, customer relationships and brand acquired in a business combination based on the present value of expected future cash flows. These valuation techniques involve significant judgment as a result of a high degree of subjectivity and estimation uncertainty associated with the significant assumptions used to determine the fair value of the acquired intangible assets at the acquisition date. The assumptions relate to projected future revenues and expenses attributable to the acquired technology, customer relationships, or brand; software technology migration rates; expected research and development costs to maintain the acquired technology; customer attrition rates; royalty rates; economic useful lives; future growth rates; tax rates; margin rates; and discount rates.

Fair value of contingent consideration

The Company measures the contingent consideration payable in a business combination at the estimated fair value upon initial measurement and at each subsequent reporting date. The fair value is estimated using the most likely outcome and the resulting expected contingent consideration to be paid, discounted to its present value.

2. Material accounting policies:

The accounting policies followed in these Interim Financial Statements are consistent with the accounting policies outlined in note 2 of the Company's Annual Financial Statements, except for the following new accounting policies which were developed in response to transactions that arose in the current period:

Intangible assets

Certain of the Company's intangible assets, including acquired technology, customer relationships and brand 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
Acquired Technology	5 - 7 years
Customer relationships	8 - 10 years
Brand	Indefinite life

2. Material accounting policies (continued):

Investment in associate

Entities over which the Company has significant influence (investments in "associates") are accounted for using the equity method. Significant influence is assumed when the Company's interests are 20% or more, unless qualitative factors overcome this assumption. Significant influence represents the ability of the Company to participate in the financial and operating policy decisions of the investee but does not control or have joint control over those policies.

Where a consolidated subsidiary is disposed and an equity method investment is retained, the investment is measured at its fair value at the time of disposal. Any difference between the carrying amount of the investment upon the loss of control and the fair value of the retained investment plus proceeds from disposal, if any, is recognized in profit or loss.

The consolidated financial statements include the Company's share of the income and expenses and equity changes of its equity accounted investees, from the date that significant influence commences until the date that significant influence ceases.

After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within 'Loss from equity accounted investee' in the consolidated statement of comprehensive profit or loss.

Upon the date that significant influence ceases, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon the loss of significant influence and the fair value of the retained investment plus proceeds from disposal, if any, is recognized in profit or loss.

Financial Instruments

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.

2. Material accounting policies (continued):

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, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as at FVTPL.

Financial asset	Classification under IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Uninvoiced revenue	Amortized cost
Loan receivable from associate	FVTPL

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.

FVTPL:

A financial asset is classified as FVTPL if it is classified as held for trading, or it is designated as such, on initial recognition. Financial assets are measured at fair value and net gains and losses, including any interest income, are recognized in profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

New and amended standards and interpretations issued but not yet effective

There are no updates to information provided in the Annual Financial Statements about the standards issued but not yet effective that could potentially impact the Company except for the following:

The IASB published IFRS 18, Presentation and Disclosure in Financial Statements (replacing IAS 1, Presentation of Financial Statements), which includes improvements on how information is communicated in the financial statements, with a focus on information in the statement of income. The new standard is effective for annual periods beginning on or after February 1, 2027. The Company is currently assessing the impacts IFRS 18 will have on its consolidated financial statements.

2. Material accounting policies (continued):

The IASB published amendments to IFRS 9, Financial Instruments, and IFRS 7, Classification and Measurement of Financial Instruments. The amendments clarify when a financial asset or a financial liability is recognized and derecognized and to provide an exception for certain financial liabilities settled using an electronic payment system. The amendments will be effective for annual periods beginning on or after February 1, 2026. The Company is currently assessing the impact of these amendments and is not expecting any significant impacts on its consolidated financial statements.

3. Trade and other receivables:

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

	October 31, 2024	January 31, 2024
Trade receivables	$ 19,812,818	$ 20,441,839
Allowance for doubtful accounts	(471,514)	(310,395)
Net trade receivables	19,341,304	20,131,444
Other receivables	1,518,806	3,431,302
Trade and other receivables	$ 20,860,110	$ 23,562,746
Comprised of:		
Current	$ 20,379,489	$ 23,025,690
Non-current	480,621	537,056

As at October 31, 2024, no customer accounted for more than 10% of the net trade receivables (January 31, 2024 - one customer accounted for more than 10% of net trade receivables).

As at October 31, 2024, other receivables are comprised primarily of sublease receivables. As at January 31, 2024, they included both sublease receivables and government grant receivables, the latter of which was collected in full during the period. All receivables are classified as current for the period ended October 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 has not recorded an allowance.

4. Intangible assets:

	Acquired Technology	Domains	Patents	Customer Relationships	Brand	Total
Cost						
Balance, January 31, 2024	$6,809,688	$171,032	$241,112	$257,586	—	$7,479,418
Additions through acquisition (note 15)	11,600,000	—	—	4,200,000	2,000,000	17,800,000
Effects of movement in exchange rates	27,888	(6,004)	(8,464)	63,103	27,038	103,561
Balance, October 31, 2024	$18,437,576	$165,028	$232,648	$4,520,689	$ 2,027,038	$25,382,979
Accumulated amortization & Impairment						
Balance, January 31, 2024	$6,543,698	—	$140,864	$24,149	—	$6,708,711
Amortization	556,520	—	13,032	153,548	—	723,100
Effects of movement in exchange rates	(117,072)	—	(5,207)	444	—	(121,835)
Balance, October 31, 2024	$6,983,146	—	$148,689	$178,141	—	$7,309,976
Carrying Amounts						
January 31, 2024	$265,990	$171,032	$100,248	$233,437	—	$770,707
October 31, 2024	$11,454,430	$165,028	$83,959	$4,342,548	$2,027,038	$18,073,003

D2L Europe Ltd., an indirect subsidiary of the Company, acquired H5P during the period as described in note 15. The acquired intangible assets include acquired technology, customer relationships and brand assets.

During the nine months ended October 31, 2024, the Company reclassified, for presentation purposes, software and course content intangible asset balances to the acquired technology intangible asset balance.

4. Intangible assets (continued):

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

November 1, 2024 – January 31, 2025	$ 531,790
February 1, 2025 – January 31, 2026	2,127,158
February 1, 2026 – January 31, 2027	2,125,726
February 1, 2027 – January 31, 2028	2,121,431
February 1, 2029 and beyond	8,974,832
	$ 15,880,937

5. Goodwill:

	October 31, 2024	January 31, 2024
Balance, beginning of year	$ 10,440,091	$ 7,070,432
Acquisition of Connected Shopping (note 15)	294,000	3,319,615
Acquisition of H5P (note 15)	15,597,947	–
Effects of movement in exchange rates & other	47,822	50,044
Balance, end of period	$ 26,379,860	$ 10,440,091

6. Financial instruments:

Fair value of financial instruments:

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

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

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

6. Financial instruments (continued):

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. The loan receivable from the associate and the contingent consideration are classified as Level 3 financial instruments as the inputs are not observable and there is no market-based activity.

The fair value of the loan receivable from associate was determined using valuation techniques, including a discounted cash flow model for future expected cash flows of the instrument at a rate commensurate with an estimated market rate for a debt instrument with similar terms and features, and the Black-Scholes valuation model to determine the value of the conversion feature. Refer to note 7 for additional information on the assumptions and estimates used.

The fair value of the contingent consideration has been calculated based on expected future revenue from existing customers and discount rates. The following table shows a reconciliation from the opening balance to the ending balance at October 31, 2024 for contingent consideration. The movement in the Loan receivable from associate balance is presented in Note 7.

Contingent consideration

Balance at January 31, 2024	$ 583,318
Increase from H5P acquisition (note 15)	4,529,000
Payments made during the period relating to Connected Shopping	(249,436)
Fair value change through other income (expense)	(57,155)
Accretion expense	88,069
Effects of movement in exchange rates	(257)
Balance at October 31, 2024	4,893,539
Contingent consideration classified as current liabilities	4,893,539
Contingent consideration classified as non-current liabilities	–

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

7. Loan receivable from associate:

Pursuant to the transaction outlined in Note 11, the Company agreed to provide a loan to SkillsWave Corporation (the "SkillsWave Loan") in the principal amount of $9,500,000 maturing in five years and bearing interest at the Canadian prime rate per annum, compounded annually. Principal and interest are payable at maturity. The SkillsWave Loan is to be advanced in tranches, with $5,000,000 advanced upon closing of the transaction on June 28, 2024, and the remaining $4,500,000 to be advanced upon the six-month anniversary of closing. The principal and accrued interest will be convertible at the option of the Company, in whole or in part, into non-voting shares of SkillsWave at a pre-determined price per share, to the extent that such shares, together with any shares acquired at closing and retained by the Company, do not exceed a maximum 37.5% ownership interest in SkillsWave. The SkillsWave Loan is secured by all assets of SkillsWave constituting a first priority security interest, subject only to permitted liens.

During the nine months ended October 31, 2024, the Company advanced the first tranche of the SkillsWave Loan in the amount of $5,000,000 to SkillsWave. The SkillsWave Loan was initially measured at its fair value and has subsequently been measured at fair value through profit or loss.

The fair value of the loan receivable from associate reflects the value of the discounted principal and interest payments, which was discounted using a rate of 20.7%, and the value of the conversion option. The Company uses the Black-Scholes valuation model to determine the fair value of the SkillsWave Loan's conversion option. Assumptions are required for inputs into this model, including the fair value of the underlying shares, the expected term of the loan, the expected dividend yield, the risk-free interest rates, and the expected volatility of the fair value of the underlying shares. The fair value of non-voting, non-controlling shares was used for the share price at the valuation date. The expected term is the remaining loan term at the valuation date. The risk-free rate used for the Black-Scholes model was based on Government of Canada bond yields consistent with the remaining loan term at the valuation date. Expected volatility of 60% was determined by using the historical volatility of publicly traded comparable companies. Based on the fair value of the conversion option using the aforementioned inputs and the present value of the expected future cash flows, a fair value gain of $120,885 was recorded in Other income (expense) within the Condensed Consolidated Interim Statements of Comprehensive Income (Loss) for three and nine months ended October 31, 2024.

Assumptions used in the fair value of the loan receivable from associate is performed by the Company on a quarterly basis. Key unobservable inputs include the discount rate used and the fair value of the share price. The estimated fair value decreases as the discount rate increases and the estimated fair value increases as the share price increases.

The loan receivable balance of $5,120,885 is recorded as "Loan receivable from associate" in the Condensed Consolidated Interim Statements of Financial Position.

7. Loan receivable from associate (continued):

The following table shows the movement in the Loan receivable from associate balance in the Condensed Consolidated Interim Statements of Financial Position as at October 31, 2024:

	October 31, 2024
Balance, beginning of year	—
Granted during the period	$ 5,000,000
Fair value gain during the period	120,885
Balance, end of period	$ 5,120,885

8. Share capital:

(a) Authorized share capital as at October 31, 2024 and January 31, 2024:

- 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 October 31, 2024, the Company had 27,065,321 Subordinate Voting Shares and 27,390,588 Multiple Voting Shares issued and outstanding. No preferred shares were issued and outstanding.

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.

8. Share capital (continued):

(c) 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 broker, on behalf of the Company, to purchase the Company's Subordinate Voting Shares under the NCIB during the Company's 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 three and nine months ended October 31, 2024, the Company repurchased and cancelled 68,600 and 306,880 Subordinate Voting Shares, respectively, under the NCIB for an aggregate purchase price of $645,204 and $2,402,141, respectively, which was recorded as a reduction of share capital. As at January 31, 2024, the Company recognized a liability and a charge to deficit of $2,264,410 for the repurchase of Subordinate Voting Shares under the ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the blackout period. As at October 31, 2024, the Company has reassessed the liability as $3,124,134 for the repurchase of Subordinate Voting Shares under the ASPP within accounts payable and accrued liabilities, as an estimate of the maximum number of shares that could be repurchased during the blackout period. This resulted in a change of the original estimate made as at January 31, 2024 in the amount of $859,724, which was charged to deficit in the current period.

9. Earnings (loss) per share:

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

	Three months ended October 31		Nine months ended October 31	
	2024	2023	2024	2023
Income (loss) for the period	$ 5,547,048	$ (387,595)	$ 5,856,730	$ (4,105,100)
Weighted average number of outstanding shares – basic	54,453,244	53,703,768	54,282,281	53,454,498
Weighted average number of outstanding shares – dilutive	56,032,694	53,703,768	55,828,067	53,454,498
Earnings (loss) per share – basic	$ 0.10	$ (0.01)	$ 0.11	$ (0.08)
Earnings (loss) per share – dilutive	$ 0.10	$ (0.01)	$ 0.10	$ (0.08)

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

For the three and nine month periods ended October 31, 2024, 229,589 and 418,416 potentially dilutive instruments, respectively, have been excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

For the three and nine month periods ended October 31, 2023, all potentially dilutive securities have been excluded from the calculation of diluted loss per share 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.

10. Stock-based compensation:

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

	Three months ended October 31		Nine months ended October 31	
	2024	2023	2024	2023
Cost of subscription and support	$ 62,714	$ 70,333	$ 194,681	$ 215,980
Cost of professional services and other	84,613	76,510	247,899	213,649
Sales and marketing	358,335	185,345	822,815	1,080,081
Research and development	556,352	646,106	1,952,392	2,132,943
General and administrative	1,133,279	1,089,974	3,893,995	3,594,621
	$ 2,195,293	$ 2,068,268	$ 7,111,782	$ 7,237,274

(a) Legacy stock option plan:

During the three and nine months ended October 31, 2024, the Company recognized stock-based compensation expense of $36,006 and $137,028 respectively (2023 – $62,431 and $289,391, respectively) related to stock options. A summary of stock option activity for the nine months ended October 31, 2024 is presented below:

	Number of stock options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, January 31, 2024	2,103,812	$ 6.25	4.63
Options forfeited	(165,517)	5.50	–
Options exercised	(670,453)	5.17	–
Balance, October 31, 2024	1,267,842	$ 6.92	4.48
Exercisable, end of period	1,131,316	$ 6.66	4.27

10. Stock-based compensation (continued):

A summary of stock option activity for the year ended January 31, 2024 is presented below:

	Number of stock options outstanding	Weighted average exercise price	Weighted average remaining contractual life (years)
Balance, January 31, 2023	2,991,307	$ 5.99	4.77
Options forfeited	(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 October 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	716,614	3.15	$ 5.16	703,076
$6.01 - $7.00	6.50	256,493	5.94	6.50	208,001
$7.01 - $8.00	7.44	824	0.53	7.44	824
$8.01 - $9.00	8.48	70,846	6.06	8.48	53,980
$9.01 - $10.00	9.55	63,065	6.17	9.55	45,435
$10.01 - $14.00	13.77	160,000	6.76	13.77	120,000
	$ 6.92	1,267,842	4.48	$ 6.66	1,131,316

10. Stock-based compensation (continued):

(b) Long Term Incentive Plan:

Restricted share units

During the three and nine months ended October 31, 2024, the Company recognized stock-based compensation expense of $2,082,761 and $6,321,021 respectively (2023 – $1,780,597 and $6,265,259, respectively) related to RSUs.

A summary of RSU activity for the period ended October 31, 2024 is presented below:

	Number of RSUs outstanding	Weighted average grant date fair value per RSU (in CAD)
Balance, January 31, 2024	2,720,188	$ 8.48
RSUs granted	1,571,258	9.86
RSUs forfeited	(377,761)	8.97
RSUs settled	(805,975)	7.88
Balance, October 31, 2024	3,107,710	$ 9.28
Vested but not yet settled, October 31, 2024	–	–

A summary of RSU activity for the year ended January 31, 2024 is presented below:

	Number of RSUs outstanding	Weighted average grant date fair value per RSU (in CAD)
Balance, January 31, 2023	2,176,061	$ 9.13
RSUs granted	1,795,789	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	–	–

10. Stock-based compensation (continued):

Performance share units

During the current reporting period, the Company issued PSUs. These PSUs vest if the achievement of certain performance conditions as dictated by the Board of Directors of the Company have been met, and if the employee(s) remain employed by the Company throughout the vesting period. PSUs represent a right to receive, upon settlement, (a) a Subordinate Voting Share for each vested PSU; (b) a cash payment equal to the market price of vested PSUs; 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 intention in the foreseeable future of settling PSUs in cash. Accordingly, PSUs are accounted for as equity awards. Dividend equivalent PSUs may be granted in respect of Subordinate Voting Shares covered by PSUs and would be subject to the same terms and conditions as the corresponding PSUs. Outstanding PSUs generally vest fully over a one-year period. The fair value of PSUs is based on the Subordinate Voting Share volume weighted average price during the trading day immediately preceding the date of grant. PSUs will generally be settled upon or shortly after vesting.

During the three and nine months ended October 31, 2024, the Company recognized stock-based compensation expense of $14,332 and $22,981 respectively (2023 – nil) related to PSUs.

A summary of PSU activity for the period ended October 31, 2024 is presented below:

	Number of PSUs outstanding	Weighted average grant date fair value per PSU (in CAD)
Balance, January 31, 2024	–	–
PSUs granted	9,016	$ 9.24
Balance, October 31, 2024	9,016	$ 9.24
Vested but not yet settled, October 31, 2024	–	–

10. Stock-based compensation (continued):

(c) Deferred Share Unit Plan:

During the three and nine months ended October 31, 2024, the Company recognized stock-based compensation expense of $62,192 and $630,750 respectively (2023 – $225,240 and $682,624, respectively) related to DSUs.

A summary of DSU activity for the period ended October 31, 2024 is presented below:

	Number of DSUs outstanding	Weighted average grant date fair value per DSU (in CAD)
Balance, January 31, 2024	330,318	$ 7.58
DSUs granted	131,522	10.17
DSUs forfeited	(41,066)	6.66
DSUs settled	–	–
Balance, October 31, 2024	420,774	$ 8.48
Vested but not yet settled, October 31, 2024	294,649	$ 7.78

A summary of DSU activity for the year ended January 31, 2024 is presented below:

	Number of DSUs outstanding	Weighted average grant date fair value per DSU (in CAD)
Balance, January 31, 2023	174,599	$ 6.97
DSUs granted	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

11. 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 $20,439 and $61,325 for the three and nine months ended October 31, 2024, respectively (2023 - $22,103 and $74,952, respectively) 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 October 31, 2024, the Company had $3,298 (January 31, 2024 – $10,768) 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 Catalyst transactions were 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 $440,313 and $1,302,738 for the three and nine months ended October 31, 2024, respectively (2023 - $383,753 and $1,383,631, respectively).

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

	CAD	USD
November 1, 2024 – January 31, 2025	$ 455,059	$ 326,945
February 1, 2025 – January 31, 2026	1,858,854	1,335,527
February 1, 2026 – January 31, 2027	1,937,954	1,392,358
February 1, 2027 – January 31, 2028	2,020,311	1,451,529
February 1, 2028 – July 31, 2033	12,736,055	9,150,448
Total undiscounted commitment	$ 19,008,233	$ 13,656,807

11. Related party transactions (continued):

(c) On June 28, 2024, a corporation owned by John Baker, the Company's CEO, acquired 70% of the equity interest in SkillsWave from the Company in exchange for cash consideration of $809,038 (C$1,120,000). SkillsWave was a wholly-owned subsidiary of the Company and provides upskilling solutions to employers.

Upon the loss of control of SkillsWave, the Company has determined that it has significant influence over SkillsWave as a result of its remaining 30% equity interest and the retention of its right to minority Board representation. Accordingly, the Company recognized the fair value of its retained investment in SkillsWave of $438,098 (see Note 14 for additional details), and derecognized the carrying value of the net assets of SkillsWave of $329,741, which included cash of $1,483,357, deferred revenue of $993,656 and accrued liabilities of $159,960. The disposal transaction resulted in a gain of $917,395 recorded as a "Gain on SkillsWave disposal transaction" in the Condensed Consolidated Interim Statements of Comprehensive Income (Loss). The calculation of the gain is set out below:

	June 28, 2024
Fair value of the consideration received	$ 809,038
Fair value of the retained investment in SkillsWave	438,098
Carrying value of net assets of SkillsWave disposed of	(329,741)
Gain on disposal of 70% interest in SkillsWave	$ 917,395

On June 28, 2024, the Company also entered into the following arrangements with SkillsWave: (i) the SkillsWave Loan (see Note 7 for additional details); (ii) a Shared Technology License Agreement permitting SkillsWave the use of a perpetual, irrevocable, non-exclusive, royalty-free, non-transferrable and non-sublicensable license to use certain technology of D2L in connection with the conduct of its business; (iii) an Assignment and Guarantee Agreement whereby D2L assigns and transfers its rights, obligations, interests and liabilities in a customer agreement to SkillsWave, and in consideration of the assignment and release, D2L guarantees for the benefit of the customer all of SkillsWave's financial obligations and liabilities in respect of the period from the effective date of June 28, 2024 to August 21, 2026 under and subject to the terms and conditions of the customer agreement; further, and as a result of entering into such arrangement, SkillsWave cross-indemnifies D2L for any claims made under the Assignment and Guarantee Agreement; and (iv) a Transition Services Agreement with SkillsWave to provide administrative services on a cost recovery basis to support the orderly transition of the upskilling education business (the "Wave Service Offering") from the Company to SkillsWave, which transition is expected to be completed on or before January 31, 2025, subject to permitted extensions. The Company recognized $15,087 and $29,352 in connection with the provision of administrative services during the three and nine months ended October 31, 2024, respectively, in 'Other income (expense)' in the Condensed Consolidated Interim Statements of Comprehensive Income (Loss).

11. Related party transactions (continued):

Subsequent to the disposal of SkillsWave on June 28, 2024, D2L received upskilling education services from SkillsWave in the amounts of $126,749 and $155,058 for the three and nine months ended October 31, 2024, respectively (nil for the three and nine months ended October 31, 2023). As at October 31, 2024, the Company had $160,230 (January 31, 2024 – nil) in trade payables to this related party. The services received by D2L during the current period are consistent with the services it had previously received from the Wave Service Offering, prior to the transition of the Wave Service Offering from the Company to SkillsWave on June 28, 2024.

The Company also entered into a customer contract with SkillsWave for use of the Company's products and services dated September 18, 2024 for a term of 3 years which began on October 1, 2024 and will end on January 31, 2027. The Company recognized revenue of $727 for the three and nine months ended October 31, 2024 (nil for the three and nine months ended October 31, 2023).

12. Employee benefits:

The total employee compensation comprising of salaries and benefits, excluding grants and tax credits, for the three and nine months ended October 31, 2024 was $29,764,125 and $89,085,793, respectively (2023 - $29,057,398 and $86,142,606, respectively).

The Company has a defined contribution pension plan for its eligible employees. The total cost recognized for the Company's defined contribution plan for the three and nine months ended October 31, 2024 was $671,869 and $2,148,849, respectively (2023 - $715,284 and $2,237,081, respectively).

13. 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 CEO 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.

13. Operating segments (continued):

Geographic information:

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

	Three months ended October 31		Nine months ended October 31	
	2024	2023	2024	2023
Canada	$ 12,277,003	$ 11,446,488	$ 34,624,503	$ 33,290,423
United States	31,460,488	25,699,230	87,261,215	75,985,370
Rest of world	10,561,977	8,966,977	30,076,994	25,534,982
Total	$ 54,299,468	$ 46,112,695	$ 151,962,712	$ 134,810,775

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

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

Property and equipment:

	October 31, 2024	January 31, 2024
Canada	$ 7,205,196	$ 8,216,610
United States	64,618	93,989
Rest of world	132,481	117,135
Total	$ 7,402,295	$ 8,427,734

Right-of-use-assets:

	October 31, 2024	January 31, 2024
Canada	$ 7,617,175	$ 8,774,960
Rest of world	509,907	–
Total	$ 8,127,082	$ 8,774,960

13. Operating segments (continued):

Intangible assets:

	October 31, 2024	January 31, 2024
Canada	$ 463,842	$ 270,779
Rest of world	17,609,161	499,928
Total	$ 18,073,003	$ 770,707

Goodwill:

	October 31, 2024	January 31, 2024
Canada	$ 6,841,809	$ 7,090,727
Rest of world	19,538,051	3,349,364
Total	$ 26,379,860	$ 10,440,091

14. Investment in associate:

Upon the disposal of its controlling interest in SkillsWave as discussed in Note 11 above, the Company recognized an equity investment related to its remaining 30% interest in SkillsWave which has been accounted for using the equity method of accounting. Accordingly, the Company has recorded $320,086 and $416,850 reflecting its share of the loss recognized by SkillsWave within 'Other Income (expense)' in the Condensed Consolidated Interim Statements of Comprehensive Income (Loss) for the three and nine months ended October 31, 2024.

The associate had no contingent liabilities or capital commitments as at October 31, 2024.

15. Business acquisition:

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, a SaaS e-commerce and course catalog company and maker of Course Merchant. This acquisition allows 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.

15. Business acquisition (continued):

The acquisition was accounted for as a business combination under the acquisition method. The purchase price consisted 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 $599,413, resulting in total consideration of $4,147,465. The contingent consideration is payable to the selling shareholders upon achieving certain customer retention targets by the first and second anniversary dates following the acquisition, which have a potential maximum contractual payment of $345,000, in equal installments, for a total of $690,000. During the nine month period ended October 31, 2024, the Company made the first anniversary payment in the amount of $249,436 to the former shareholders of Connected Shopping. Upon revaluation as at October 31, 2024, the remaining liability associated with the contingent consideration was $279,879 (a decrease of $57,004 from the balance at January 31, 2024).

The Company has prepared a final purchase price allocation of the assets acquired and the liabilities assumed of Connected Shopping based on management's best estimates of fair value:

Cash	$ 155,567
Trade and other receivables	264,720
Prepaid expenses	210,810
Property and equipment	21,995
Intangible assets:	
Customer relationship	249,000
Acquired Technology	302,500
Total assets	1,204,592
Less:	
Accounts payable and accrued liabilities	(294,673)
Deferred revenue	(238,194)
Deferred income taxes	(137,875)
Total liabilities	(670,742)
Separately identifiable net assets	$ 533,850
Goodwill	3,613,615
Total consideration	$ 4,147,465

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. During the nine month period ended October 31, 2024, the Company paid $345,000 representing the first anniversary payment to the former shareholders of Connected Shopping.

Accounts receivable, representing a portion of the 'Trade and other receivables' line above, comprise gross total contractual amounts due of $96,213, all of which had been collected in full in fiscal 2024.

15. Business acquisition (continued):

Amortization of the customer relationships and technology 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 for the three and nine months ended October 31, 2024 of $79,331 and $253,748, respectively (2023 - $168,792 and $721,826, respectively), primarily consisting of post-combination compensation, and is recorded within 'General and Administrative' expenses and 'Research and Development' expenses in the Condensed Consolidated Interim Statements of Comprehensive Income (Loss).

H5P Group AS

On July 9, 2024, D2L Europe Ltd, an indirect subsidiary of the Company, acquired all of the outstanding shares of H5P, a provider of interactive content creation software used by educators and organizations globally to improve learning by creating and enriching course materials. The transaction aligns with the Company's commitment to expand its learning platform with a focus on technologies to improve learning outcomes. 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 $26,067,103, a purchase price holdback of $896,285, and contingent consideration with a fair value at the date of acquisition of $4,529,000, resulting in total consideration of $31,492,388. The purchase price holdback was subject to a post-closing purchase price adjustment based on H5P's final working capital and debt balances on close, which was finalized in the three month period ended October 31, 2024.

The contingent consideration of $4,529,000 reflects the present value of the expected contractual payment of $4,900,000. The contingent consideration is payable to the selling shareholders upon meeting certain customer retention targets by the first anniversary date following the acquisition and is expected to be paid in the third quarter of fiscal 2026.

15. Business acquisition (continued):

The Company has prepared a preliminary purchase price allocation of the assets acquired and the liabilities assumed of H5P based on management's best estimates of fair value. The final purchase price allocation may vary based on the valuation of the acquired intangible assets and the related tax impacts:

Cash	$	3,758,176
Net trade and other receivables		655,110
Prepaid expenses		93,295
Property and equipment		10,777
Right-of-use assets		77,020
Intangible assets:		
Acquired Technology		11,600,000
Customer relationship		4,200,000
Brand		2,000,000
Total assets		22,394,378
Less:		
Accounts payable and accrued liabilities		(702,483)
Deferred revenue		(1,889,175)
Lease liabilities		(77,020)
Deferred income taxes		(3,831,259)
Total liabilities		(6,499,937)
Separately identifiable net assets	$	15,894,441
Goodwill		15,597,947
Total consideration	$	31,492,388

There are also payments of up to $2,500,000 in the form of post-combination compensation due on the first anniversary date following the acquisition, subject to the continued employment of specific employees throughout the period.

Accounts receivable, representing a portion of the 'Trade and other receivables' line above, comprise gross total contractual amounts due of $715,280, of which $585,697 has been collected as of October 31, 2024.

Amortization of the customer relationships and technology that was acquired is calculated using the straight-line method over their respective useful lives of ten and seven years, respectively. The brand was determined to have an indefinite useful life.

The goodwill recognized upon acquisition is attributable to expected synergies in adding H5P 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.

15. Business acquisition (continued):

The Company incurred acquisition related costs of $1,011,664 and $1,473,008 for the three and nine months ended October 31, 2024, respectively, consisting of professional fees and post-combination compensation, which are recorded within 'General and Administrative' expenses in the Condensed Consolidated Interim Statements of Comprehensive Income (Loss).

Since the date of acquisition, H5P has contributed to the revenues of the Company by $1,505,514 and $1,849,087 for the three and nine months ended October 31, 2024, respectively. The positive impact to net income was $264,854 and $333,937 for the three and nine months ended October 31, 2024, respectively. If this acquisition had occurred on February 1, 2024, the Company estimates that the pro-forma consolidated revenue and pro-forma consolidated net income would have been $154,161,902 and $4,415,008 respectively, which includes post-combination expenses, including post-combination compensation and amortization from acquired intangible assets, compared to the actual amounts reported in the Condensed Consolidated Interim Statements of Comprehensive Income (Loss) for the nine month period ended October 31, 2024.

16. Subsequent event:

On December 4, 2024, the Company announced that the Toronto Stock Exchange (the "TSX") has accepted the Company's notice to launch a Normal Course Issuer Bid (the "Notice"). The Notice provides that, during the twelve-month period commencing December 9, 2024, the Company may repurchase, through a designated broker on the TSX or as otherwise permitted, and cancel up to 1,745,338 of the Company's Subordinate Voting Shares, representing approximately 10.0% of the 17,453,380 total "public float" (within the meaning of the rules of the TSX), as of November 30, 2024.