

**TERAGO INC.**  
**Interim Condensed Consolidated Financial Statements**  
**Three and six months ended June 30, 2024 and 2023**  
**(Unaudited)**

**Contents**

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**Notice of no auditor review of interim financial statements**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements; they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of TERAGO Inc. have been prepared by and are the responsibility of management. TERAGO Inc.'s independent auditor has not performed a review of these unaudited interim condensed consolidated financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**TERAGO INC.**

Interim Condensed Consolidated Statements of Financial Position  
(Expressed in thousands of Canadian dollars)  
(Unaudited)

	<i>Note</i>	<u>June 30, 2024</u>	<u>December 31, 2023</u>
<b>Assets</b>			
Cash and cash equivalents	11	\$ 3,350	\$ 4,381
Cash held on behalf of third party	11	29	22
Short-term investments	11	229	235
Accounts receivable	11	1,865	1,990
Prepaid expenses and other assets		989	992
Current portion of contract costs	3	200	245
<b>Total current assets</b>		<u>6,662</u>	<u>7,865</u>
Network assets, property and equipment	4	36,383	33,549
Intangible assets	5	11,027	10,863
Goodwill		861	861
Contract costs	3	351	358
<b>Total non-current assets</b>		<u>48,622</u>	<u>45,631</u>
<b>Total Assets</b>		<u>\$ 55,284</u>	<u>\$ 53,496</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	11	\$ 3,680	\$ 2,977
Payable for cash held to third party	11	29	22
Current portion of contract liabilities	3	189	193
Current portion of lease liabilities	7, 11	5,552	5,237
<b>Total current liabilities</b>		<u>9,450</u>	<u>8,429</u>
Decommissioning and restoration obligations		225	255
Contract liabilities	3	143	109
Long-term debt	6, 11	20,309	16,871
Lease liabilities	7, 11	13,400	9,827
Other long-term liabilities	6, 8	767	672
<b>Total non-current liabilities</b>		<u>34,844</u>	<u>27,734</u>
<b>Total Liabilities</b>		<u>\$ 44,294</u>	<u>\$ 36,163</u>
<b>Shareholders' Equity</b>			
Share capital		118,469	118,335
Warrant reserve		570	819
Contributed surplus		28,186	27,655
Deficit		(136,235)	(129,476)
<b>Total shareholders' equity</b>		<u>\$ 10,990</u>	<u>\$ 17,333</u>
<b>Total Liabilities and Shareholders' Equity</b>		<u>\$ 55,284</u>	<u>\$ 53,496</u>

On behalf of the Board:

(signed) "Ken Campbell"

Director

(signed) "Pietro Cordova"

Director

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

**TERAGO INC.**

Interim Condensed Consolidated Statements of Comprehensive Loss  
 (Expressed in thousands of Canadian dollars, except per share amounts)  
 (Unaudited)

	Note	Three months ended June 30		Six months ended June 30	
		2024	2023	2024	2023
<b>Total Revenue</b>	3	\$ 6,577	6,516	13,049	13,025
<b>Expenses</b>					
Cost of services		1,776	1,822	3,527	3,353
Salaries and related costs		2,820	3,830	6,085	6,891
Other operating expenses		1,289	1,508	2,616	2,820
Amortization of intangible assets	5	11	1	16	2
Depreciation of network assets, property, and equipment	4	2,326	2,469	4,678	4,947
		<u>\$ 8,222</u>	<u>9,630</u>	<u>16,922</u>	<u>18,013</u>
<b>Loss from operations</b>		(1,645)	(3,114)	(3,873)	(4,988)
Impairment of assets and related charges	4, 5	(83)	(100)	(145)	(168)
Foreign exchange gain (loss)		6	18	(4)	(12)
Finance costs		(1,518)	(834)	(2,821)	(1,478)
Finance income		28	42	84	109
<b>Loss before income taxes</b>		<u>\$ (3,212)</u>	<u>(3,988)</u>	<u>(6,759)</u>	<u>(6,537)</u>
<b>Income taxes</b>					
Income tax expense		-	-	-	-
<b>Net loss and comprehensive loss</b>		<u>\$ (3,212)</u>	<u>(3,988)</u>	<u>(6,759)</u>	<u>(6,537)</u>
<b>Basic &amp; Diluted loss per share</b>	10	\$ (0.16)	(0.20)	(0.34)	(0.33)
<b>Basic &amp; Diluted weighted average number of shares outstanding (in 000s)</b>	10	19,888	19,755	19,873	19,746

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

**TERAGO INC.****Interim Condensed Consolidated Statements of Cash Flows**

(Expressed in thousands of Canadian dollars)

(Unaudited)

		<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<i>Note</i>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Operating Activities</b>					
Net loss for the period	\$	(3,212)	(3,988)	(6,759)	(6,537)
Adjustments to reconcile net loss to net cash from (used in) operating activities:					
Restructuring and other costs		18	1,177	636	1,197
Depreciation of network assets, property and equipment	4	2,326	2,469	4,678	4,947
Amortization of intangible assets	5	11	1	16	2
Stock-based compensation expense	9	231	(32)	414	170
Finance costs		1,518	834	2,821	1,478
Finance income		(28)	(42)	(84)	(109)
Impairment of assets and related charges	4, 5	83	99	145	167
Restructuring and other costs paid		(141)	(582)	(544)	(606)
Foreign exchange (gain) loss		(6)	(18)	4	12
Changes in non-cash working capital items:					
Accounts receivable		(86)	20	214	(37)
Prepaid expenses		285	(110)	3	(312)
Accounts payable and accrued liabilities		(243)	(1,157)	680	(1,782)
Contract liabilities		(3)	20	30	51
Contract costs		39	78	52	(35)
<b>Cash from (used in) Operating Activities</b>	\$	<b>792</b>	<b>(1,231)</b>	<b>2,306</b>	<b>(1,394)</b>
<b>Investing Activities</b>					
Purchase of network assets, property, and equipment	4	\$ (704)	(1,457)	(1,811)	(3,303)
Purchase of intangible assets	5	(40)	(130)	(180)	(294)
Sale of short-term investments		-	910	-	910
Change in non-cash working capital related to network assets, property and equipment and intangible assets		18	222	2	(340)
<b>Cash used in Investing Activities</b>	\$	<b>(726)</b>	<b>(455)</b>	<b>(1,989)</b>	<b>(3,027)</b>
<b>Financing Activities</b>					
Proceeds from debt borrowings		3,031	6,775	3,031	6,775
Long-term debt and interest paid	6	\$ (734)	(430)	(1,426)	(736)
Payments of lease liabilities	7	(1,486)	(1,617)	(2,949)	(2,989)
<b>Cash from (used in) Financing Activities</b>	\$	<b>811</b>	<b>4,728</b>	<b>(1,344)</b>	<b>3,050</b>
Net change in cash and cash equivalents during the period	\$	<b>877</b>	<b>3,042</b>	<b>(1,027)</b>	<b>(1,371)</b>
Cash and cash equivalents, beginning of period		2,467	1,777	4,381	6,220
Change in cash due to foreign exchange		6	18	(4)	(12)
<b>Cash and cash equivalents, end of period</b>	\$	<b>3,350</b>	<b>4,837</b>	<b>3,350</b>	<b>4,837</b>

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

**TERAGO INC.**
**Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**  
**(Expressed in thousands of Canadian dollars and thousands of common shares)**  
**(Unaudited)**

Six months ended June 30, 2024	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000s)	Amount				
<b>Balance, January 1, 2024</b>	19,853	\$ 118,335	\$ 27,655	\$ 819	\$ (129,476)	\$ 17,333
Issuance of common shares from vesting of RSUs	5	19	(19)	-	-	-
Shares deducted for payment of withholding tax	(2)	-	(6)	-	-	(6)
Issuance of shares for directors' fees	65	115	-	-	-	115
Stock based compensation	-	-	294	-	-	294
Issuance of warrants	-	-	-	13	-	13
Expiration of warrants	-	-	262	(262)	-	-
Net loss and comprehensive loss	-	-	-	-	(6,759)	(6,759)
<b>Balance, June 30, 2024</b>	19,921	\$ 118,469	\$ 28,186	\$ 570	\$ (136,235)	\$ 10,990

Six months ended June 30, 2023	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000s)	Amount				
<b>Balance, January 1, 2023</b>	19,735	\$ 118,105	\$ 26,822	\$ 963	\$ (116,291)	\$ 29,599
Issuance of shares for directors' fees	51	129	-	-	-	129
Stock based compensation	-	-	32	-	-	32
Issuance of warrants	-	-	-	233	-	233
Expiration of warrants	-	-	233	(233)	-	-
Net loss and comprehensive loss	-	-	-	-	(6,537)	(6,537)
<b>Balance, June 30, 2023</b>	19,786	\$ 118,234	\$ 27,087	\$ 963	\$ (122,828)	\$ 23,456

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

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**TERAGO INC.****Notes to the Interim Condensed Consolidated Financial Statements**

(Expressed in thousands of Canadian dollars, except for per share amounts)

Three and Six Months Ended June 30, 2024 and 2023

(Unaudited)

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**1. Reporting Entity**

TERAGO Inc. (the "Company") is incorporated in Canada with its head office located at Suite 800 – 55 Commerce Valley Drive West, Thornhill, Ontario. The Company provides businesses across Canada with connectivity services and owns and operates a carrier-grade, fixed wireless, fibre-based, IP communications network, in Canada targeting enterprise customers that require connectivity services. The Company's common shares are listed on the Toronto Stock Exchange (TSX) under the symbol TGO.

**2. Basis of Preparation and Presentation****a) Statement of Compliance**

These unaudited interim condensed consolidated financial statements ("interim financial statements") were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2023 (the "2023 Consolidated Financial Statements"). These interim condensed consolidated financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with IFRS Accounting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed. The notes presented in these interim financial statements include only significant changes and transactions that have occurred since the last fiscal year. Accordingly, these interim financial statements should be read in conjunction with the Company's 2023 Consolidated Financial Statements.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as at June 30, 2024. The Board of Directors authorized the interim financial statements for issue on August 07, 2024.

These interim financial statements include the accounts of TERAGO Inc. and its wholly owned subsidiaries.

**b) Recently Adopted Accounting Pronouncement**

Effective January 1, 2024, the Company adopted the following new amendments to IFRS:

*Classification of Liabilities as Current or Non-current (Amendments to IAS 1)*

On January 23, 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* (the 2020 amendments), to clarify the classification of liabilities as current or non-current. On October 31, 2022, the IASB issued *Non-current Liabilities with Covenants (Amendments to IAS 1)* (the 2022 amendments), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively "the Amendments") are effective for annual periods beginning on or after January 1, 2024. The Company adopted these amendments effective January 1, 2024 and did not have any material impact on the interim financial statements for the six months ended June 30, 2024.

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**TERAGO INC.**

## Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except for per share amounts)

Three and Six Months Ended June 30, 2024 and 2023

(Unaudited)

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**3. Revenue**

The Company's operations, main sources of revenue, and methods for recognition are those described in Note 3 of the 2023 Consolidated Financial Statements. The Company's revenue is primarily derived from contracts with customers. Other Revenue relates to services provided to the buyer of the Cloud and Colocation lines of business, post divestiture.

**a) Disaggregation of revenue**

In the following table, the Company disaggregates revenue into two categories that depict the nature of its revenue streams.

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Revenue from Operations	\$ 6,577	6,509	13,049	13,007
Other Revenue	-	7	-	18
Total Revenue	<u>6,577</u>	<u>6,516</u>	<u>13,049</u>	<u>13,025</u>

**b) Contract Costs**

The following table summarizes the changes in contract costs during the period:

	<b>2024</b>	<b>2023</b>
<b>Balance, March 31</b>	\$ 590	769
Incremental costs capitalized	39	9
Amortization	<u>(78)</u>	<u>(87)</u>
<b>Balance, June 30</b>	551	691
Less: current	<u>(200)</u>	<u>(256)</u>
	\$ 351	435

  

	<b>2024</b>	<b>2023</b>
<b>Balance, January 1</b>	\$ 603	656
Incremental costs capitalized	102	187
Amortization	<u>(154)</u>	<u>(152)</u>
<b>Balance, June 30</b>	551	691
Less: current	<u>(200)</u>	<u>(256)</u>
	\$ 351	435

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**TERAGO INC.**

## Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except for per share amounts)

Three and Six Months Ended June 30, 2024 and 2023

(Unaudited)

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**c) Contract Liabilities**

The following is a table that summarizes the change in contract liabilities during the period:

		<b>2024</b>	<b>2023</b>
<b>Balance, March 31</b>	\$	335	327
Additions from provisioning		81	91
Revenue recognised for services provided		(84)	(71)
<b>Balance, June 30</b>		332	347
Less: Current		(189)	(212)
	\$	143	135

		<b>2024</b>	<b>2023</b>
<b>Balance, January 1</b>	\$	302	296
Additions from provisioning		188	157
Revenue recognised for services provided		(158)	(106)
<b>Balance, June 30</b>		332	347
Less: Current		(189)	(212)
	\$	143	135

**d) Unsatisfied Performance Obligations**

The aggregate amount of future revenue allocated to performance obligations that are unsatisfied as of June 30, 2024 was \$26,535 (June 30, 2023 - \$26,635). This represents contractual service obligations that the Company has yet to fulfill under its contracts with customers and yet to invoice its customers. The Company expects to recognize this revenue over the next three years, which represents the average remaining contractual terms prior to renewals. This amount excludes obligations owing for month-to-month contracts as the unsatisfied term is calculated monthly.



## TERAGO INC.

### Notes to the Interim Condensed Consolidated Financial Statements (Expressed in thousands of Canadian dollars, except for per share amounts) Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)

#### 4. Network Assets, Property and Equipment

	Network assets	Datacentre infrastructure	Computer equipment	Other*	Right-of-use Assets	Total
<b>Cost</b>						
Balance, January 1, 2024	\$ 133,448	\$ 760	\$ 5,281	\$ 4,030	\$ 35,099	\$ 178,618
Additions	1,806	3	2	-	104	1,915
Disposals	(47)	-	-	-	(85)	(132)
Reclassifications / Adjustments	(19)	19	-	-	5,827	5,827
Impairment	(266)	-	-	-	-	(266)
<b>Balance, June 30, 2024</b>	<b>\$ 134,922</b>	<b>\$ 782</b>	<b>\$ 5,283</b>	<b>\$ 4,030</b>	<b>\$ 40,945</b>	<b>\$ 185,962</b>
<b>Accumulated Depreciation</b>						
Balance, January 1, 2024	\$ 114,046	\$ 678	\$ 5,198	\$ 4,017	\$ 21,130	\$ 145,069
Depreciation for the period	2,516	27	28	2	2,105	4,678
Disposals	(24)	-	-	-	-	(24)
Reclassifications / Adjustments	(6)	6	-	-	-	-
Impairment	(144)	-	-	-	-	(144)
<b>Balance, June 30, 2024</b>	<b>\$ 116,388</b>	<b>\$ 711</b>	<b>\$ 5,226</b>	<b>\$ 4,019</b>	<b>\$ 23,235</b>	<b>\$ 149,579</b>
<b>Net Book Value, June 30, 2024</b>	<b>\$ 18,534</b>	<b>\$ 71</b>	<b>\$ 57</b>	<b>\$ 11</b>	<b>\$ 17,710</b>	<b>\$ 36,383</b>

\*Other includes office furniture, equipment and leasehold improvements.

#### Impairment of Property, Plant, and Equipment

As result of the loss of certain customers and customer locations during the three and six months ended June 30, 2024, the Company determined the value of certain network assets were not recoverable. As a result, the assets were written off and an impairment charge of \$122 (cost of \$266 less accumulated depreciation of \$144) was recorded in other operating expenses on the statement of comprehensive loss for the six months ended June 30, 2024 (six months ended June 30, 2023 - \$139).

## TERAGO INC.

### Notes to the Interim Condensed Consolidated Financial Statements (Expressed in thousands of Canadian dollars, except for per share amounts) Three and Six Months Ended June 30, 2024 and 2023 (Unaudited)

#### 5. Intangible Assets and Goodwill

Cost	Radio spectrum licenses	Computer Software	Total Intangibles	Goodwill	Total Intangibles and Goodwill
Balance, January 1, 2024	\$ 12,649	\$ 10,461	\$ 23,110	\$ 5,388	\$ 28,498
Additions	-	180	180	-	180
<b>Balance, June 30, 2024</b>	<b>\$ 12,649</b>	<b>\$ 10,641</b>	<b>\$ 23,290</b>	<b>\$ 5,388</b>	<b>\$ 28,678</b>
<b>Accumulated Amortization</b>					
Balance, January 1, 2024	\$ 2,371	\$ 9,876	\$ 12,247	\$ 4,527	\$ 16,774
Amortization for the period	-	16	16	-	16
<b>Balance, June 30, 2024</b>	<b>\$ 2,371</b>	<b>\$ 9,892</b>	<b>\$ 12,263</b>	<b>\$ 4,527</b>	<b>\$ 16,790</b>
<b>Net Book Value, June 30, 2024</b>	<b>\$ 10,278</b>	<b>\$ 749</b>	<b>\$ 11,027</b>	<b>\$ 861</b>	<b>\$ 11,888</b>

#### 6. Long-term Debt

	June 30 2024	December 31 2023
Term debt facility	\$ 21,664	\$ 18,186
Less: unamortized financing fees	(1,355)	(1,315)
	20,309	16,871
	\$ 20,309	\$ 16,871

##### Term Debt Facility

On September 29, 2022, the Company entered into a three year Credit and Guaranty Agreement (the "Credit Agreement") with CrowdOut Capital LLC ("CrowdOut") in the amount of USD \$20,000. The Credit Agreement is a draw down facility and terms include the following: variable interest rate of SOFR + 9.00%, serviced with monthly interest payments only for a term of 36 months. At the end of the term, there is an exit fee payable to CrowdOut of up to a maximum of \$1,000 calculated on a pro-rata basis determined by the amount of the facility that has been drawn down under the Credit Agreement at the time of exit. The Credit Agreement also included a 1% annual rate standby fee for any amounts undrawn on the facility. The standby fee and interest amounts are payable monthly. The Company incurred financing fees in the amount of \$395 to facilitate the execution of the Credit Agreement.

In accordance with the Credit Agreement, the Company also issued to CrowdOut 216,463 warrants for the purchase of common shares. Each warrant will be exercisable for the purchase of one common share for a period of up to five years from the date of the Credit Agreement. The warrants vest pro-rata as the facility is drawn down. The strike price for all warrants was \$4.43 (based upon a 20% premium to the 30-day VWAP at the time of closing).

Since the inception of the Credit Agreement through to May 29, 2024, the Company had drawn in aggregate \$18,792 (USD \$14,000), resulting in the vesting of 151,496 of the issued warrants to CrowdOut. The Company had also incurred transaction fees in aggregate through to May 29, 2024 in the amount of \$307 (USD \$227). The balance due to CrowdOut for the exit fee is \$767 based upon the amount drawn down under the Credit Agreement as of May 29, 2024.

On May 29, 2024, the Company and CrowdOut entered into a First Amendment to Credit Agreement (the "Amending Agreement") which amended certain terms of the previously executed Credit Agreement dated September 29, 2022. The Amending Agreement served to add Cymbria Corporation ("Cymbria") to the syndicate of lenders under the Credit Agreement and amended certain conditions and covenants of the Credit Agreement. The Company incurred financing

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**TERAGO INC.****Notes to the Interim Condensed Consolidated Financial Statements****(Expressed in thousands of Canadian dollars, except for per share amounts)****Three and Six Months Ended June 30, 2024 and 2023****(Unaudited)**

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fees in the amount of \$274 to facilitate the execution of the Amending Agreement. The Amending Agreement gave effect to the following:

- the committed debt facility decreased from a USD \$20,000 facility to a USD \$19,000 facility under the Amending Agreement. The remaining USD \$5,000 facility will be funded by Cymbria through the Credit Agreement with CrowdOut in two tranches, with the first tranche in the amount of USD \$2,000 available as of the effective date of the Amending Agreement and the second tranche in the amount of USD \$3,000 available at any time on or after July 1, 2024;
- the Amending Agreement removed the 1% annual rate standby fee on amounts undrawn on the facility and removed any further accrual of exit fee to CrowdOut;
- the interest rates applicable under the Amending Agreement remains the same as in the Credit Agreement except that the Adjusted Term SOFR floor has increased from 1.5% to 5%;
- the last twelve months' ("LTM") installed monthly recurring revenue ratio was updated to reflect that repayments of lease liabilities are included in the definition of installed monthly recurring revenues under this financial covenant, with the maximum ratio for this financial covenant updated to reflect these changes;
- the minimum fixed charge coverage ratio was updated to reflect that repayments of lease liabilities are now included in the definition of fixed charges under this financial covenant.

The Company issued 54,100 warrants to Cymbria, on similar terms to the common share purchase warrants previously issued to CrowdOut under the terms of the Credit Agreement. Each warrant entitles Cymbria to subscribe for and purchase, one fully paid common share in the capital of the Company at a price per common share of \$4.43. The warrants vest pro-rata as the US\$5,000 funded by Cymbria is drawn down. As a result of the Amending Agreement, the equivalent amount of previously issued common share purchase warrants to CrowdOut shall remain unvested.

On May 30, 2024, the Company received its first draw down under the Amending Agreement in the amount of \$2,736 (USD \$2,000), resulting in the vesting of 21,640 of the issued warrants to Cymbria.

In accordance with the Amending Agreement, the Company is subject to the following financial covenants: (i) total debt (including payables more than 120 days past due) not to exceed 160% of the Company's LTM installed monthly recurring revenue from May 31, 2024 to May 31, 2025 and 155% of the Company's LTM installed monthly recurring revenue from June 30, 2025 and thereafter, (ii) the Company's cash and cash equivalents balance and short-term investments (excluding payables more than 60 days past due) to be above \$1,500 at every month end, and (iii) if the Company's cash and cash equivalents balance and short-term investments is below \$2,500, the Fixed-Charge Coverage Ratio (FCCR) must be 1.1x or greater.

This facility has been accounted for as a compound financial instrument with a liability component for the debt and an equity component for the warrants issued, as the warrants are exchangeable for a fixed number of the Company's common shares, they meet the fixed-for-fix criteria. As of the date of the draw down of the facility, the liability is measured at its fair value using the forward SOFR curve rate at the time of the draw down (the most recent drawdown on May 30, 2024 was at 14.43%) and the warrants are measured at the residual amount of the compound financial instrument.

For the six months ended June 30, 2024, the Company incurred additional transactions fees of \$11 (USD \$8) and \$95 for the accrued exit fee.

All financing fees incurred to facilitate the execution of the Credit Agreement and the Amending Agreement are deferred and are recorded as a reduction in the carrying amount of debt. The amortization of the fees and interest expense for the six months ended June 30, 2024, were \$420 and \$1,426, respectively, which are included in finance costs (2023 – \$160 and \$736, respectively).

These amendments to the Credit Agreement through the Amending Agreement were considered non-substantive changes under IFRS 9, Financial Instruments, and as such, did not require the extinguishment of the existing liability and recognition of a new liability.

The Company is in compliance with all of the terms and conditions including the financial covenants as amended by the Amending Agreement as at June 30, 2024.

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**TERAGO INC.**

## Notes to the Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Canadian dollars, except for per share amounts)

Three and Six Months Ended June 30, 2024 and 2023

(Unaudited)

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**7. Leases**

The Company has many leases of which it is a lessee. The major categories of leases are building leases for the Company's fixed wireless services, network equipment, corporate offices, and warehouses. Lease terms vary by category and range from 1 to 15 years.

**a) Right-of-use Asset**

Changes in the right-of-use asset are summarized in Note 4 of these Interim Financial Statements.

**b) Lease Liability**

The following table is a summary of the changes in the lease liability during the period:

	<b>2024</b>	<b>2023</b>
<b>Balance, March 31</b>	\$ 17,140	13,721
Additions	-	162
Terminations	(16)	(66)
Interest on lease liabilities	550	333
Modifications	2,764	2,095
Lease payments	(1,486)	(1,617)
<b>Balance, June 30</b>	18,952	14,628
Less: current portion	(5,552)	(5,425)
	\$ 13,400	9,203

	<b>2024</b>	<b>2023</b>
<b>Balance, January 1</b>	\$ 15,063	14,341
Additions	104	404
Terminations	(94)	(274)
Interest on lease liabilities	1,001	636
Modifications	5,827	2,510
Lease payments	(2,949)	(2,989)
<b>Balance, June 30</b>	18,952	14,628
Less: current portion	(5,552)	(5,425)
	\$ 13,400	9,203

**TERAGO INC.**

Notes to the Interim Condensed Consolidated Financial Statements  
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**8. Other Long-Term Liabilities**

	June 30	December 31
	2024	2023
Debt financing - Exit Fee (Note 6)	\$ 767	\$ 672
	767	672

**9. Stock-Based Compensation****(a) Stock Options**

For the three and six months ended June 30, 2024, the Company granted 725 and 725 stock options, respectively (2023 – nil and 348, respectively).

For the three and six months ended June 30, 2024, the Company recorded stock-based compensation related to stock options expense of \$156 and \$290, respectively (2023 – recovery of (\$74) and expense of \$134, respectively).

A summary of the change in the Company's stock option plan as at June 30, 2024 is presented below.

	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<b>Outstanding - January 1</b>	937	\$2.54	501	\$5.57
Granted	725	\$2.11	348	\$3.81
Forfeited / Expired	(90)	\$4.46	(243)	\$5.78
<b>Outstanding - June 30</b>	1,572	\$2.23	606	\$4.48
Exercisable	87	\$4.25	112	\$5.35

As at June 30, 2024, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows (number of options in 000's):

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$1.60 - \$2.23	1,387	9.61	\$2.00	-	-
\$2.24 - \$5.44	185	7.92	\$4.18	87	\$4.25
	1,572	9.25	\$2.23	87	\$4.25

**(b) Restricted Share Units (RSUs)**

For the three and six months ended June 30, 2024, the Company granted nil and nil RSUs, respectively (2023 – nil and nil, respectively).

For the three and six months ended June 30, 2024, the Company recorded compensation expense of \$4 and \$9,

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**TERAGO INC.****Notes to the Interim Condensed Consolidated Financial Statements**  
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respectively (2023 – recovery of (\$33) and (\$88), respectively).

The following table is a summary of the number of outstanding RSUs as at:

	<b>June 30</b>
	<b>2024</b>
<b>Opening Balance, January 1, 2024</b>	12
Granted	-
Forfeited	
Vested and settled / paid	(8)
<b>Ending Balance, June 30, 2024</b>	<b>4</b>

**(c) Performance Based Share Units (PSUs)**

For the three and six months ended June 30, 2024, the Company granted nil and nil PSUs (2023 – nil and nil PSUs, respectively).

For the three and six months ended June 30, 2024, the Company recorded nil and nil compensation expense (2023 – expense of \$1 and recovery of (\$5), respectively).

The following table is a summary of the number of outstanding PSUs as at:

	<b>June 30</b>
	<b>2024</b>
<b>Opening Balance, January 1, 2024</b>	17
Granted	-
<b>Ending Balance, June 30, 2024</b>	<b>17</b>

**(d) Stock-Based Compensation Summary**

The following table is a summary of the stock-based compensation expense:

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Restricted share units	\$ 4	(33) \$	9	(88)
Performance-based share units	-	1	-	(5)
Stock options	156	(74)	290	134
Directors' fees paid in shares	71	74	115	129
	<b>\$ 231</b>	<b>(32) \$</b>	<b>414</b>	<b>170</b>

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**TERAGO INC.**

## Notes to the Interim Condensed Consolidated Financial Statements

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**10. Loss Per Share**

The following table sets forth the calculation of basic and diluted loss per share.

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
Numerator for basic and diluted loss per share:				
Net loss for the period	\$ (3,212)	(3,988) \$	(6,759) \$	(6,537)
Denominator for basic and diluted loss per share:				
Basic weighted average number of shares outstanding (in 000s)	19,888	19,755	19,873	19,746
Effect of stock options, RSUs and PSUs	-	-	-	-
Diluted weighted average number of shares outstanding (in 000s)	19,888	19,755	19,873	19,746
Loss per share:				
Basic	\$ (0.16)	(0.20) \$	(0.34) \$	(0.33)
Diluted	\$ (0.16)	(0.20) \$	(0.34) \$	(0.33)

Due to the loss for the three and six months ended June 30, 2024, the impact of all the options, RSUs and PSUs totaling 962 and 963, respectively (2023 – 753 and 769, respectively), were excluded in the calculation of diluted loss per share because they were antidilutive.

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**TERAGO INC.**

## Notes to the Interim Condensed Consolidated Financial Statements

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**11. Fair value of financial instruments**

The fair values of cash and cash equivalents, cash held on behalf of third party and short-term investments are based on quoted market values. The fair values of short-term financial assets and liabilities, including accounts receivable, accounts payable and accrued liabilities, as presented in the consolidated statements of financial position, approximate their carrying amounts due to their short-term maturities. The fair value of long-term debt approximates its carrying value because management believes the interest rates approximate the market interest rate for similar debt with similar security.

The following table outlines the carrying amounts and fair value of its financial assets and financial liabilities including their level in the fair value hierarchy.

**a) Classification and fair values**

	Carrying Amount		Fair Value (Level 2)	
	June 30 2024	December 31 2023	June 30 2024	December 31 2023
<b>Financial Assets</b>				
Cash and cash equivalents	\$ 3,350	\$ 4,381	\$ 3,350	\$ 4,381
Accounts receivable	1,865	1,990	1,865	1,990
Cash held on behalf of third party	29	22	29	22
Short term investments	229	235	229	235
<b>Financial Liabilities</b>				
Accounts payable and accrued liabilities	\$ 3,680	\$ 2,977	\$ 3,680	\$ 2,977
Payable for cash held to third party	29	22	29	22
Long-term debt	20,309	16,871	20,309	16,871
Lease liabilities	18,951	15,063	18,951	15,063

**b) Credit risk**

The Company's credit risk exposure and management strategies are discussed in the notes to the 2023 Consolidated Financial Statements. During the six months ended June 30, 2024, the movement in the credit loss allowance in respect of trade receivables was as follows:

	<b>2024</b>
Opening Balance, January 1	\$ 132
Amounts written off	(26)
Remeasurement of loss allowance	(37)
Ending Balance, June 30	\$ 69

**c) Liquidity Risk**

The Company's liquidity risk exposure and management strategies are discussed in the notes to the 2023 Consolidated Financial Statements. As of June 30, 2024, the Company had cash and cash equivalents and short-term investments of \$3,579. The short-term investments are pledged as security against a credit facility. As at June 30, 2024, the



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**TERAGO INC.**

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Company still has access to USD \$3,000 under its Amending Agreement term debt facility (see Note 6) and is in compliance with all facility covenants.

	<b>Less than</b>		
	<u>1 year</u>	<u>1 - 2 years</u>	<u>Total</u>
Long-term debt and success fee payments	\$ -	\$ 22,431	\$ 22,431
Accounts payable and accrued liabilities	3,680	-	3,680
Total	<u>\$ 3,680</u>	<u>\$ 22,431</u>	<u>\$ 26,111</u>

**d) Interest Rate Risk**

As a result of the Company's term debt facility (see Note 6), the Company is exposed to fluctuations in SOFR interest rates. For the three and six months ended June 30, 2024, a 1% increase in the interest rate would have increased interest expense by \$51 and \$99, respectively (2023 - \$30 and \$53, respectively), while a 1% decrease in interest rate would have the equal but opposite effect. This analysis assumes that all other variables remain constant.

**e) Currency Risk**

The Company has suppliers that are not based in Canada which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the fluctuations in the dollar. The Company believes this risk is minimal and does not use financial instruments to hedge these risks. For the six months ended June 30, 2024 and June 30, 2023, a 1% appreciation in the U.S. dollar to Canadian dollar foreign exchange rate would result in a \$203 and \$117 decrease in income, respectively, whereas, a 1% depreciation would have the exact opposite impact on income. Balances denominated in foreign currencies that are considered financial instruments are as follows:

	<u>Currency</u>		<u>June 30, 2024</u>		<u>June 30, 2023</u>
Cash and cash equivalents	USD	\$	1,541	\$	1,873
Accounts payable and accrued liabilities	USD		342		274
Long-term debt	USD		16,000		10,450