

TERAGO INC.
Interim Condensed Consolidated Financial Statements
Three months ended March 31, 2024 and 2023
(Unaudited)

Contents

Interim Condensed Consolidated Financial Statements	
Statements of Financial Position	2
Statements of Comprehensive Loss	3
Statements of Cash Flows	4
Statements of Changes in Equity	5
Notes to Financial Statements	6-15

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>March 31, 2024</u>	<u>December 31, 2023</u>
Assets			
Cash and cash equivalents	11	\$ 2,467	\$ 4,381
Cash held on behalf of third party		34	22
Short-term investments	11	227	235
Accounts receivable		1,754	1,990
Prepaid expenses and other assets		1,274	992
Current portion of contract costs	3	<u>221</u>	<u>245</u>
Total current assets		5,977	7,865
Network assets, property and equipment	4	35,336	33,549
Intangible assets	5	10,998	10,863
Goodwill		861	861
Contract costs	3	<u>369</u>	<u>358</u>
Total non-current assets		47,564	45,631
Total Assets		<u>\$ 53,541</u>	<u>\$ 53,496</u>
Liabilities			
Accounts payable and accrued liabilities	11	\$ 4,105	\$ 2,977
Payable for cash held to third party		34	22
Current portion of contract liabilities	3	198	193
Current portion of lease liabilities	7	<u>5,293</u>	<u>5,237</u>
Total current liabilities		9,630	8,429
Decommissioning and restoration obligations		233	255
Contract liabilities	3	137	109
Long-term debt	6, 11	17,053	16,871
Lease liabilities	7	11,847	9,827
Other long-term liabilities	6, 8	<u>672</u>	<u>672</u>
Total non-current liabilities		29,942	27,734
Total Liabilities		<u>\$ 39,572</u>	<u>\$ 36,163</u>
Shareholders' Equity			
Share capital		118,379	118,335
Warrant reserve		819	819
Contributed surplus		27,794	27,655
Deficit		<u>(133,023)</u>	<u>(129,476)</u>
Total shareholders' equity		<u>\$ 13,969</u>	<u>\$ 17,333</u>
Total Liabilities and Shareholders' Equity		<u>\$ 53,541</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)

		Three months ended March 31	
		2024	2023
Total Revenue	<i>Note</i> 3	\$ 6,472	6,509
Expenses			
Cost of services		1,751	1,531
Salaries and related costs		3,265	3,061
Other operating expenses		1,327	1,312
Amortization of intangible assets	5	5	1
Depreciation of network assets, property, and equipment	4	2,352	2,478
		<u>\$ 8,700</u>	<u>8,383</u>
Loss from operations		(2,228)	(1,874)
Impairment of assets and related charges	4, 5	(62)	(68)
Foreign exchange loss		(10)	(30)
Finance costs		(1,303)	(644)
Finance income		56	67
Loss before income taxes		<u>\$ (3,547)</u>	<u>(2,549)</u>
Income taxes			
Income tax expense		-	-
Net loss and comprehensive loss		<u>\$ (3,547)</u>	<u>(2,549)</u>
Basic & Diluted loss per share	10	\$ (0.18)	(0.13)
Basic & Diluted weighted average number of shares outstanding (in 000s)	10	19,858	19,737

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)

	Note	Three months ended March 31	
		2024	2023
Operating Activities			
Net loss for the period		\$ (3,547)	(2,549)
Adjustments to reconcile net loss to net cash from (used in) operating activities:			
Restructuring and other costs		618	20
Depreciation of network assets, property and equipment	4	2,352	2,478
Amortization of intangible assets	5	5	1
Stock-based compensation expense	9	183	202
Finance costs		1,303	644
Finance income		(56)	(67)
Loss on adjustments and disposal of network assets and intangible assets	4, 5	14	8
Impairment of assets and related charges	4, 5	48	60
Restructuring and other costs paid		(403)	(24)
Foreign exchange loss		10	30
Changes in non-cash working capital items:			
Accounts receivable		300	(57)
Prepaid expenses		(282)	(202)
Accounts payable and accrued liabilities		923	(625)
Contract liabilities		33	31
Contract costs		13	(113)
Cash from (used in) Operating Activities		\$ 1,514	(163)
Investing Activities			
Purchase of network assets, property, and equipment	4	\$ (1,107)	(1,846)
Purchase of intangible assets	5	(140)	(164)
Change in non-cash working capital related to network assets, property and equipment and intangible assets		(16)	(562)
Cash used in Investing Activities		\$ (1,263)	(2,572)
Financing Activities			
Long-term debt and interest paid	6	\$ (692)	(306)
Payments of lease liabilities	7	(1,463)	(1,372)
Cash used in Financing Activities		\$ (2,155)	(1,678)
Net change in cash and cash equivalents during the period		\$ (1,904)	(4,413)
Cash and cash equivalents, beginning of period		4,381	6,220
Change in cash due to foreign exchange		(10)	(30)
Cash and cash equivalents, end of period		\$ 2,467	1,777

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)

Three months ended March 31, 2024	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000s)	Amount				
Balance, January 1, 2024	19,853	\$ 118,335	\$ 27,655	\$ 819	\$ (129,476)	\$ 17,333
Issuance of shares for directors' fees	33	44	-	-	-	44
Stock Based Compensation	-	-	139	-	-	139
Net loss and comprehensive loss	-	-	-	-	(3,547)	(3,547)
Balance, March 31, 2024	19,886	\$ 118,379	\$ 27,794	\$ 819	\$ (133,023)	\$ 13,969

Three months ended March 31, 2023	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000s)	Amount				
Balance, January 1, 2023	19,735	\$ 118,105	\$ 26,822	\$ 963	\$ (116,291)	\$ 29,599
Issuance of shares for directors' fees	18	55	-	-	-	55
Stock Based Compensation	-	-	147	-	-	147
Net loss and comprehensive loss	-	-	-	-	(2,549)	(2,549)
Balance, March 31, 2023	19,753	\$ 118,160	\$ 26,969	\$ 963	\$ (118,840)	\$ 27,252

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

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Expressed in thousands of Canadian dollars, except for per share amounts)****Three Months Ended March 31, 2024 and 2023****(Unaudited)**

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

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 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, 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 condensed consolidated 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 Accounting Standards issued and outstanding as at March 31, 2024. The Board of Directors authorized the interim financial statements for issue on May 14, 2024.

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

(a) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(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 unaudited condensed interim consolidated financial statements for the three months ended March 31, 2024.

TERAGO INC.

Notes to the Interim Condensed Consolidated Financial Statements

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

Three Months Ended March 31, 2024 and 2023

(Unaudited)

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.

	Three months ended March 31	
	2024	2023
Revenue from Operations	6,472	6,498
Other Revenue	-	11
Total Revenue	6,472	6,509

b) Contract Costs

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

	2024	2023
Balance, January 1	\$ 603	656
Incremental costs capitalized	63	178
Amortization	(76)	(65)
Balance, March 31	590	769
Less: current	(221)	(208)
	\$ 369	561

c) Contract Liabilities

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

	2024	2023
Balance, January 1	\$ 302	296
Additions from provisioning	107	66
Revenue recognised for services provided	(74)	(35)
Balance, March 31	335	327
Less: Current	(198)	(197)
	\$ 137	130

d) Unsatisfied Performance Obligations

The aggregate amount of future revenue allocated to performance obligations that are unsatisfied as of March 31, 2024 was \$27,002 (2023 - \$29,177). 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 Months Ended March 31, 2024 and 2023
(Unaudited)

4. Network Assets, Property and Equipment

	Network assets	Datacentre infrastructure	Computer equipment	Other*	Right-of-use Assets	Total
Cost						
Balance, January 1, 2024	\$ 133,448	\$ 760	\$ 5,281	\$ 4,030	\$ 35,099	\$ 178,618
Additions	1,104	1	2	-	104	1,211
Disposals	(26)	-	-	-	(72)	(98)
Reclassifications / Adjustments	(18)	18	-	-	3,063	3,063
Impairment	(112)	-	-	-	-	(112)
Balance, March 31, 2024	\$ 134,396	\$ 779	\$ 5,283	\$ 4,030	\$ 38,194	\$ 182,682
Accumulated Depreciation						
Balance, January 1, 2024	\$ 114,046	\$ 678	\$ 5,198	\$ 4,017	\$ 21,130	\$ 145,069
Depreciation for the period	1,263	13	15	1	1,060	2,352
Disposals	(11)	-	-	-	-	(11)
Reclassifications / Adjustments	(7)	7	-	-	-	-
Impairment	(64)	-	-	-	-	(64)
Balance, March 31, 2024	\$ 115,227	\$ 698	\$ 5,213	\$ 4,018	\$ 22,190	\$ 147,346
Net Book Value, March 31, 2024	\$ 19,169	\$ 81	\$ 70	\$ 12	\$ 16,004	\$ 35,336

*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 months ended March 31, 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 \$48 (cost of \$112 less accumulated depreciation of \$64) was recorded in other operating expenses on the statement of comprehensive loss (2023 - \$60) in the period.

TERAGO INC.

Notes to the Interim Condensed Consolidated Financial Statements (Expressed in thousands of Canadian dollars, except for per share amounts) Three Months Ended March 31, 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	-	140	140	-	140
Balance, March 31, 2024	\$ 12,649	\$ 10,601	\$ 23,250	\$ 5,388	\$ 28,638
Accumulated Amortization					
Balance, January 1, 2024	\$ 2,371	\$ 9,876	\$ 12,247	\$ 4,527	\$ 16,774
Amortization for the period	-	5	5	-	5
Balance, March 31, 2024	\$ 2,371	\$ 9,881	\$ 12,252	\$ 4,527	\$ 16,779
Net Book Value, March 31, 2024	\$ 10,278	\$ 720	\$ 10,998	\$ 861	\$ 11,859

6. Long-term Debt

	March 31	December 31
	2024	2023
Term debt facility	\$ 18,186	\$ 18,186
Less: unamortized financing fees	(1,133)	(1,315)
	17,053	16,871
	<u>\$ 17,053</u>	<u>\$ 16,871</u>

Term Debt Facility

On September 29, 2022, the Company entered into a credit agreement (the "Agreement") with CrowdOut Capital LLC (the "Lender") in the amount of USD \$20,000. The 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. The agreement also includes a 1% annual rate standby fee for any amounts undrawn on the facility. The standby fee and interest amounts are payable monthly. The facility also requires an initial drawdown of USD \$5,000. At the conclusion of the loan term, there is an exit fee payable to the lender of up to a maximum of CAD \$1,000 calculated on a pro-rata basis determined by the amount of the facility that has been drawn down at the time of exit. At March 31, 2024, the balance due to the Lender for the exit fee is \$672, which is based upon the amount drawn down at period end (unchanged from December 31, 2023).

In accordance with the Agreement, the Company also issued to the Lender 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 Agreement. The warrants vest pro-rata as the facility is drawn down. The strike price for all warrants is CAD \$4.46 (based upon a 20% premium to the 30-day VWAP at the time of closing).

On October 3, 2022, the Company drew down the initial CAD \$6,694 (USD \$5,000) proceeds in conjunction with the terms of the Agreement, resulting in the vesting of 54,116 of the issued warrants. During the twelve months ended December 31, 2023, the Company made three additional draws (April 3, June 15, and November 27, 2023) totaling CAD \$11,355 (USD \$8,450) upon approval of the Board of Directors, resulting in the vesting of an additional 91,429 of the issued warrants.

The Company has not taken any further draws during the three months ended March 31, 2024. On April 4, 2024, the Company drew down another installment on its debt facility in the amount of CAD \$743 (USD \$550) in conjunction with

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Expressed in thousands of Canadian dollars, except for per share amounts)****Three Months Ended March 31, 2024 and 2023****(Unaudited)**

the terms of the agreement. The Company incurred an additional transaction fee of CAD \$11 (USD \$8) and CAD \$28 for the accrued exit fee upon the subsequent drawdown.

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. Upon draw down date, 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 November 27, 2023 was at 15.92%) and the warrants are measured at the residual amount of the compound financial instrument.

At the time of the initial draw (October 3, 2022), the Company incurred financing fees of CAD \$395, a transaction fee of CAD \$137 (USD \$100) and CAD \$250 for the accrued exit fee for the twelve months ended December 31, 2022. During the twelve months ended December 31, 2023, the Company incurred additional transaction fees of CAD \$170 (USD \$127) and CAD \$422 for the accrued exit fee. All financing fees are deferred and are recorded as a reduction in the carrying amount of debt. The amortization of the fees and interest expense for the three months ended March 31, 2024, were CAD \$182 and CAD \$692, respectively, which are included in finance costs (2023 – CAD \$58 and CAD \$306, respectively).

In accordance with the Agreement, the Company is subject to the following financial covenants: (i) Balance drawn on the facility not to exceed 90% of the Company's annual recurring revenue, (ii) the Company's cash and cash equivalents balance (including short term investments) to be above \$1,500 at all times, and (iii) if the Company's cash and cash equivalents balance (including short term investments) is below \$2,500, the Fixed-Charge Coverage Ratio (FCCR) must be 1.1x or greater. The Company is in compliance with the financial covenants as at March 31, 2024.

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 Condensed Consolidated Financial Statements.

b) Lease Liability

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

		March 31	March 31
		2024	2023
Lease liabilities, beginning of period	\$	15,063	14,341
Additions		104	242
Terminations		(78)	(208)
Interest on lease liabilities		451	303
Modifications		3,063	415
Lease payments		(1,463)	(1,372)
Lease liabilities, end of period		17,140	13,721
Less: current portion		(5,293)	(5,243)
	\$	11,847	8,478

TERAGO INC.

Notes to the Interim Condensed Consolidated Financial Statements
 (Expressed in thousands of Canadian dollars, except for per share amounts)
 Three Months Ended March 31, 2024 and 2023
 (Unaudited)

8. Other Long-Term Liabilities

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

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

For the three months ended March 31, 2024 and March 31, 2023, the Company granted nil and 348 stock options, respectively.

For the three months ended March 31, 2024 and March 31, 2023, the Company recorded stock-based compensation related to stock options of \$134 and \$208 respectively.

A summary of the change in the Company's stock option plan as at March 31, 2024 is presented below.

	2024		2023	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - January 1	937	\$4.85	501	\$5.57
Granted	-	-	348	\$3.81
Forfeited / Expired	(5)	\$6.06	-	-
Outstanding - March 31	932	\$2.52	849	\$4.85
Exercisable	107	\$4.30	130	\$6.91

As at March 31, 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 - \$2.52	662	9.38	\$1.86	-	-
\$2.53 - \$5.44	270	8.28	\$4.28	107	\$4.30
	932	8.86	\$2.52	107	\$4.30

TERAGO INC.

Notes to the Interim Condensed Consolidated Financial Statements

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

Three Months Ended March 31, 2024 and 2023

(Unaudited)

(b) Restricted Share Units (RSUs)

For the three months ended March 31, 2024 and March 31, 2023, the Company granted nil RSUs.

For the three months ended March 31, 2024, the Company recorded compensation expense of \$5 and for the three months ended March 31, 2023, the Company recorded compensation recovery of (\$55), related to the RSUs forfeited.

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

	March 31
	2024
Opening Balance, January 1, 2024	15
Granted	-
Ending Balance, March 31, 2024	15

(c) Performance Based Share Units (PSUs)

For the three months ended March 31, 2024 and March 31, 2023, the Company granted nil PSUs.

For the three months ended March 31, 2024, the Company recorded nil compensation expense and for three months ended March 31, 2023, the Company recorded compensation recovery of (\$6), related to the PSUs forfeited.

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

	March 31
	2024
Opening Balance, January 1, 2024	17
Granted	-
Ending Balance, March 31, 2024	17

(d) Stock-Based Compensation Summary

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

	Three months ended March 31	
	2024	2023
Restricted share units	\$ 5	(55)
Performance-based share units	-	(6)
Stock options	134	208
Directors' fees paid in shares	44	55
	\$ 183	202

TERAGO INC.

Notes to the Interim Condensed Consolidated Financial Statements

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

Three Months Ended March 31, 2024 and 2023

(Unaudited)

10. Loss Per Share

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

	Three months ended March 31	
	2024	2023
Numerator for basic and diluted loss per share:		
Net loss for the period	\$ (3,547)	\$ (2,549)
Denominator for basic and diluted loss per share:		
Basic weighted average number of shares outstanding (in 000s)	19,858	19,737
Effect of stock options, RSUs and PSUs	-	-
Diluted weighted average number of shares outstanding (in 000s)	19,858	19,737
Loss per share:		
Basic	\$ (0.18)	\$ (0.13)
Diluted	\$ (0.18)	\$ (0.13)

Due to the loss for the three months ended March 31, 2024, the impact of all the options, RSUs and PSUs totaling 967 (2023 – 786), were excluded in the calculation of diluted loss per share because they were antidilutive.

TERAGO INC.

Notes to the Interim Condensed Consolidated Financial Statements

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

Three Months Ended March 31, 2024 and 2023

(Unaudited)

11. Fair value of financial instruments

The fair values of cash and cash equivalents, cash held on behalf or 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

	<u>Carrying Amount</u>		<u>Fair Value (Level 2)</u>	
	<u>March 31, 2024</u>	<u>December 31 2023</u>	<u>March 31, 2024</u>	<u>December 31 2023</u>
Financial Assets				
Cash and cash equivalents	\$ 2,467	\$ 4,381	\$ 2,467	\$ 4,381
Accounts receivable	1,754	1,990	1,754	1,990
Cash held on behalf of third party	34	22	34	22
Short term investments	227	235	227	235
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 4,105	\$ 2,977	\$ 4,105	\$ 2,977
Payable for cash held to third party	34	22	34	22
Long-term debt	17,053	16,871	17,053	16,871
Lease liabilities	17,140	15,063	17,140	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 three months ended March 31, 2024, the movement in the credit loss allowance in respect of trade receivables was as follows:

		2024
Opening Balance, January 1, 2024	\$	132
Amounts written off		(43)
Remeasurement of loss allowance		(14)
Ending Balance, March 31, 2024	\$	<u>75</u>

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 March 31, 2024, the Company had cash and cash equivalents and short-term investments of \$2,694. The short-term investments are pledged as security against this facility. As at March 31, 2024, the Company still has access to USD \$6,550 under its long-term debt facility (see Note 6) and is in compliance with all facility

TERAGO INC.

Notes to the Interim Condensed Consolidated Financial Statements

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

Three Months Ended March 31, 2024 and 2023

(Unaudited)

covenants.

	Less than		
	1 year	1 - 2 years	Total
Long-term debt and success fee payments	\$ -	\$ 18,858	\$ 18,858
Accounts payable and accrued liabilities	4,105	-	4,105
Total	\$ 4,105	\$ 18,858	\$ 22,963

d) Interest Rate Risk

As a result of the Company's debt facility with CrowdOut Capital (see Note 6), the Company is exposed to fluctuations in SOFR interest rates. For the three months ended March 31, 2024 and March 31, 2023, a 1% increase in the interest rate would have increased interest expense by \$48 and \$22, 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 three months ended March 31, 2024 and March 31, 2023, a 1% appreciation in the U.S. dollar to Canadian dollar foreign exchange rate would result in a \$183 and \$69 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:

	Currency	March 31, 2024		March 31, 2023	
Cash and cash equivalents	USD	\$	259	\$	201
Accounts payable and accrued liabilities	USD		284		327
Long-term debt	USD		13,450		5,000