

TERAGO INC.
Interim Condensed Consolidated Financial Statements
Three months ended March 31, 2023, and 2022
(Unaudited)

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Notice of no auditor review of interim financial statements

The accompanying unaudited interim condensed consolidated financial statements of the Company for the three months ended March 31, 2023, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

TERAGO INC.**Interim Condensed Consolidated Statements of Financial Position
(Unaudited, In thousands of Canadian dollars)**

	<i>Note</i>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
Assets			
Cash and cash equivalents	4,13	\$ 1,777	\$ 6,220
Cash held on behalf of third party	4	307	-
Short-term investments	11	1,143	1,158
Accounts receivable	4	2,391	2,252
Prepaid expenses and other assets		1,343	1,141
Current portion of contract costs	3	<u>208</u>	<u>167</u>
Total current assets		7,169	10,938
Network assets, property and equipment	5	32,873	32,815
Intangible assets	6	10,442	10,279
Other long-term assets		-	1
Goodwill		861	861
Contract costs	3	<u>561</u>	<u>489</u>
Total non-current assets		44,737	44,445
Total Assets		<u>\$ 51,906</u>	<u>\$ 55,383</u>
Liabilities			
Accounts payable and accrued liabilities		\$ 3,725	\$ 4,711
Payable to third party	4	307	-
Current portion of contract liabilities	3	197	127
Current portion of lease liabilities	8	<u>5,243</u>	<u>5,023</u>
Total current liabilities		9,472	9,861
Decommissioning and restoration obligations		359	279
Contract liabilities	3	130	169
Long-term debt	7,13	6,215	6,157
Lease liabilities	8	<u>8,478</u>	<u>9,318</u>
Total non-current liabilities		15,182	15,923
Total Liabilities		<u>\$ 24,654</u>	<u>\$ 25,784</u>
Shareholders' Equity			
Share capital		118,160	118,105
Warrant reserve		963	963
Contributed surplus		26,969	26,822
Deficit		<u>(118,840)</u>	<u>(116,291)</u>
Total shareholders' equity		<u>\$ 27,252</u>	<u>\$ 29,599</u>
Total Liabilities and Shareholders' Equity		<u>\$ 51,906</u>	<u>\$ 55,383</u>

On behalf of the Board:

(signed) "Ken Campbell"

Director

(signed) "Gary Sherlock"

Director

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

TERAGO INC.
Interim Condensed Consolidated Statements of Comprehensive Loss
(Unaudited, In thousands of Canadian dollars)

		Three months ended	Three months ended
		March 31, 2023	March 31, 2022
	<i>Note</i>		
Revenue from operations	3	\$ 6,498	\$ 7,789
Other revenue	3	<u>11</u>	<u>135</u>
		6,509	7,924
Expenses			
Cost of services		1,531	2,232
Salaries and related costs		3,061	3,443
Other operating expenses*		1,312	1,942
Amortization of intangible assets	6	1	3
Depreciation of network assets, property, and equipment	5	<u>2,478</u>	<u>2,489</u>
		<u>8,383</u>	<u>10,109</u>
Loss from operations		(1,874)	(2,185)
Impairment loss on divested assets		-	(107)
Impairment and loss on disposal of network assets, property, equipment and intangible assets*	5, 6	(68)	(112)
Foreign exchange (loss) gain		(30)	5
Finance costs		(644)	(756)
Finance income		67	15
Loss before income taxes		<u>\$ (2,549)</u>	<u>\$ (3,140)</u>
Income taxes			
Income tax expense		-	-
Net loss and comprehensive loss		<u>\$ (2,549)</u>	<u>\$ (3,140)</u>
Deficit, beginning of period		<u>\$ (116,291)</u>	<u>\$ (104,720)</u>
Deficit, end of period		<u>\$ (118,840)</u>	<u>\$ (107,860)</u>
Basic & Diluted loss per share	10	\$ (0.13)	\$ (0.16)
Basic & Diluted weighted average number of shares outstanding (in 000's)		19,737	19,669

*Prior year figures have been adjusted to conform with current year presentation. In the prior year, the "Impairment on Network Assets" was included in "Other Operating Expenses" and not disclosed separately.

TERAGO INC.
Interim Condensed Consolidated Statements of Cash Flows
(Unaudited, In thousands of Canadian dollars)

	<i>Note</i>	Three months ended March 31, 2023	Three months ended March 31, 2022
Operating Activities			
Net loss for the period		\$ (2,549) \$	(3,140)
Adjustments to reconcile net loss to net cash used in operating activities:			
Severance, acquisition, and other costs		20	454
Depreciation of network assets, property and equipment	5	2,478	2,489
Amortization of intangible assets	6	1	3
Stock-based compensation expense	9	202	173
Finance costs		644	756
Finance income		(67)	(15)
Loss on adjustments and disposal of network assets and intangible assets		8	171
Impairment of assets and related charges	5, 6	60	120
Severance, acquisition, and other costs paid		(24)	(663)
Changes in non-cash working capital items:			
Accounts receivable		(57)	(209)
Prepaid expenses		(202)	(429)
Accounts payable and accrued liabilities		(625)	(211)
Contract liabilities		31	(29)
Contract costs		(113)	(37)
Cash used in Operating Activities		<u>(193)</u>	<u>(567)</u>
Investing Activities			
Proceeds from divested assets		\$ - \$	27,313
Receivable from divested assets		-	(528)
Purchase of network assets, property, and equipment	5	(1,846)	(1,829)
Purchase of intangible assets	6	(164)	-
Purchase of short-term investments		-	(1,136)
Change in non-cash working capital related to network assets, property and equipment and intangible assets		(562)	385
Cash from (used in) Investing Activities		<u>(2,572)</u>	<u>24,205</u>
Financing Activities			
Interest paid	7	\$ (306) \$	-
Repayment of long-term debt	7	-	(19,987)
Payments of lease liabilities	8	(1,372)	(1,568)
Cash used in Financing Activities		<u>(1,678)</u>	<u>(21,555)</u>
Net change in cash and cash equivalents during the period		\$ (4,443) \$	2,083
Cash and cash equivalents, beginning of period		6,220	5,481
Cash and cash equivalents, end of period		<u>\$ 1,777 \$</u>	<u>7,564</u>

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

TERAGO INC.
Interim Condensed Consolidated Statements of Changes in Equity
(Unaudited, In thousands of Canadian dollars)

	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000's)	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

	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000's)	Amount				
Balance, January 1, 2022	19,667	\$ 117,848	\$ 26,391	\$ 743	\$ (104,720)	\$ 40,262
Issuance of shares for directors' fees	15	84	-	-	-	84
Stock Based Compensation	-	-	89	-	-	89
Net loss and comprehensive loss	-	-	-	-	(3,140)	(3,140)
Balance March 31, 2022	19,682	\$ 117,932	\$ 26,480	\$ 743	\$ (107,860)	\$ 37,295

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)**

1. Reporting Entity

TeraGo Inc. (the "Company") provides businesses across Canada with connectivity services. The Company's head office is located in Canada at Suite 800 – 55 Commerce Valley Drive West, Thornhill, Ontario. The Company was incorporated under the Canada Business Corporations Act on December 21, 2000, 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, 2022 (the "2022 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 International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Note 2 of the Company's 2022 Consolidated Financial Statements. 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 2022 Consolidated Financial Statements.

The Company's operating results are subject to seasonal fluctuations that may be materially impacted quarter to quarter and, thus, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as at March 31, 2023. The Board of Directors authorized the interim financial statements for issue on May 10, 2023.

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) New Standards Implemented

A number of new standards are effective for annual periods beginning on or after January 1, 2023, and management has assessed the impacts of these standards below.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued *Definition of Accounting Estimates (Amendments to IAS 8)*. The amendments are effective for annual periods beginning on or after January 1, 2023, and management has assessed and determined there is no material impact on the financial statements.

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)**

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

On February 12, 2021, the IASB issued *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The amendments are effective for annual periods beginning on or after January 1, 2023, and management has assessed and determined there is no material impact on the financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

On May 7, 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*. The amendments are effective for annual periods beginning on or after January 1, 2023, and management has assessed and determined there is no material impact on the financial statements.

(c) Standards Issued But Not Yet Effective

A number of new standards are effective for annual periods beginning on or after January 1, 2024, and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements.

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.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)

On September 22, 2022, the IASB issued *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*. The amendments are effective for annual periods beginning on or after January 1, 2024. Early adoption is permitted.

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)**

3. Revenue

The Company's operations, main sources of revenue, and methods for recognition are those described in Note 3 of the 2022 Consolidated Financial Statements. The Company's revenue is primarily derived from contracts with customers.

a) Disaggregation of revenue

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

	Three months ended March 31	
	2023	2022
Cloud and Colocation Revenue (divested)	\$ -	1,355
Connectivity Revenue	6,498	6,434
Revenue from Operations	\$ 6,498	7,789
Other Revenue	11	135
Total Revenue	\$ 6,509	7,924

Other Revenue includes fees earned for transition services provided to the purchaser of the Company's Cloud and Colocation business (Note 12). The transition services were estimated to continue for a period of approximately 12 months following the divestiture of the cloud and colocation business, which occurred on January 31, 2022. The transition services have now been completed as at March 31, 2023.

b) Contract Costs

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

	2023
Balance, January 1, 2023	\$ 656
Incremental costs capitalized	178
Amortization	(65)
Balance, March 31, 2023	769
Less: current	(208)
	\$ 561

c) Contract Liabilities

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

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

d) Unsatisfied Performance Obligations

The aggregate amount of future revenue allocated to performance obligations that are unsatisfied as of March 31, 2023, was \$19,337. This represents contractual service obligations that the Company has yet to fulfill under its

TERAGO INC.

Notes to the Interim Condensed Consolidated Financial Statements

(Unaudited, In thousands of Canadian dollars, except for per share amounts)

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.

4. Current Assets

Details of selected current asset balances are as follows:

a) Cash and cash equivalents

The Company's cash and cash equivalents are comprised of bank balances at major Canadian financial institutions.

b) Cash held on behalf of third party

Cash held on behalf of a third party is comprised of cash collected on behalf the purchaser of TeraGo's Cloud and Colocation business (the "Purchaser"). In connection with the divestiture of the Cloud and Colocation business (Note 12), TeraGo entered into a transition services agreement ("TSA") with the Purchaser for a variety of support and services, all of which all have been concluded with the exception of monthly software licensing fees. This cash collected on behalf of the Purchaser is due to the Purchaser, and therefore an offsetting payable to third party account is included in TeraGo's statement of financial position as at March 31, 2023 (December 31, 2022 - Nil).

c) Accounts receivable

The Company's accounts receivable is comprised of the following:

	March 31	December 31
	2023	2022
Trade receivables	\$ 1,445	\$ 1,683
Allowance for doubtful accounts	(19)	(73)
Other receivables	465	142
Receivable in escrow	500	500
	<u>\$ 2,391</u>	<u>\$ 2,252</u>

5. Network Assets, Property and Equipment

	Network assets	Datacentre infrastructure	Computer equipment	Office furniture and equipment	Leasehold improvements	Right-of-use Assets	Total
Cost							
Balance January 1, 2023	\$ 129,104	\$ 707	\$ 5,216	\$ 2,322	\$ 1,704	\$ 29,582	\$ 168,635
Additions	1,837	-	9	-	-	242	2,088
Disposals	(29)	-	-	-	-	(286)	(315)
Reclassifications / Adjustments	(1)	1	-	-	-	615	615
Impairment	(135)	-	-	-	-	-	(135)
Balance, March 31, 2023	\$ 130,776	\$ 708	\$ 5,225	\$ 2,322	\$ 1,704	\$ 30,153	\$ 170,888
Accumulated Depreciation							
Balance January 1, 2023	\$ 109,322	\$ 624	\$ 5,115	\$ 2,312	\$ 1,699	\$ 16,748	\$ 135,820
Depreciation for the period	1,318	12	21	1	1	1,125	2,478
Disposals	(21)	-	-	-	-	(187)	(208)
Reclassifications / Adjustments	(1)	1	-	-	-	-	(0)
Impairment	(75)	-	-	-	-	-	(75)
Balance, March 31, 2023	\$ 110,543	\$ 637	\$ 5,136	\$ 2,313	\$ 1,700	\$ 17,686	\$ 138,015
Net Book Value, March 31, 2023	\$ 20,233	\$ 71	\$ 89	\$ 9	\$ 4	\$ 12,467	\$ 32,873

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)****Impairment of Property, Plant, and Equipment**

As result of the loss of certain customers and customer locations during the three months ended March 31, 2023, 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 \$60 (cost of \$135 less accumulated depreciation of \$75) was recorded in other operating expenses on the statement of comprehensive loss (2022 - \$116) in the period.

6. Intangible Assets and Goodwill

Cost	Radio spectrum licenses	Computer Software	Customer relationships	Other	Total Intangibles	Goodwill	Total Intangibles and Goodwill
Balance, January 1, 2023	\$ 12,649	\$ 9,868	\$ 6,465	\$ 4,831	\$ 33,813	\$ 5,388	\$ 39,201
Additions	-	164	-	-	164	-	164
Balance, March 31, 2023	\$ 12,649	\$ 10,032	\$ 6,465	\$ 4,831	\$ 33,977	\$ 5,388	\$ 39,365
Accumulated Amortization							
Balance, January 1, 2023	\$ 2,371	\$ 9,867	\$ 6,465	\$ 4,831	\$ 23,534	\$ 4,527	\$ 28,061
Amortization for the period	-	1	-	-	1	-	1
Balance, March 31, 2023	\$ 2,371	\$ 9,868	\$ 6,465	\$ 4,831	\$ 23,535	\$ 4,527	\$ 28,062
Net Book Value, March 31, 2023	\$ 10,278	\$ 164	\$ -	\$ -	\$ 10,442	\$ 861	\$ 11,303

7. Long-term Debt

	March 31	December 31
	2023	2022
Term debt facility	\$ 6,831	\$ 6,831
Less: financing fees	(616)	(674)
	6,215	6,157
Less: current portion	-	-
	\$ 6,215	\$ 6,157

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)**

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, 2023, the balance due to the Lender for the exit fee is \$250, which is based upon the amount drawn down at period end (unchanged from December 31, 2022).

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. Subsequent draws will be made at the Company's discretion with respect to both amount and timing and requires approval of the Board of Directors. The Company has not taken any further draws during the three-month period ended March 31, 2023.

This facility has been accounted for as 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 of 15.62% and the warrants are measured at the residual amount of the compound financial instrument.

The Company incurred financing fees of \$395, a transaction fee of \$137 (USD \$100) and \$250 for the accrued exit fee upon the initial draw down on October 3, 2022. 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, 2023, were \$58 and \$306, respectively, which are included in finance costs.

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, and (ii) the Company's cash and cash equivalents balance (including short term investments) to be above \$1,500 at all times. The Company is in compliance with the financial covenants as at March 31, 2023.

8. 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 5 of these Interim Condensed Consolidated Financial Statements.

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)**

b) Lease Liability

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

	March 31	March 31
	2023	2022
Lease liabilities, beginning of period	\$ 14,341	\$ 16,124
Additions	242	102
Terminations	(208)	(566)
Interest on lease liabilities	303	422
Modifications	415	76
Lease payments	(1,372)	(1,568)
Lease liabilities, end of period	13,721	14,590
Less: current portion	(5,243)	(5,118)
	\$ 8,478	\$ 9,472

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

For the three months ended March 31, 2023, and March 31, 2022, the Company granted 348 and 20 stock options, respectively.

For the three months ended March 31, 2023, and March 31, 2022, the Company recorded stock-based compensation related to stock options of \$208 and \$58, respectively.

A summary of the change in the Company's stock option plan as at March 31, 2023, is presented below.

	2023	
	Number of	Weighted
	Options	Average
		Exercise Price
Outstanding - January 1	501	\$5.57
Granted	348	\$3.81
Exercised	-	-
Forfeited / Expired	-	-
Outstanding - March 31	849	\$4.85
Exercisable	130	\$6.91

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)**

(b) Restricted Share Units (RSUs)

For the three months ended March 31, 2023, and March 31, 2022, the Company granted nil RSUs.

For the three months ended March 31, 2023, the Company recorded compensation recovery of (\$55) and for the three months ended March 31, 2022, the Company recorded compensation expense of \$30, related to the RSUs forfeited and granted, respectively.

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

	March 31
	2023
Opening Balance, January 1, 2023	42
Granted	-
Forfeited	(13)
Vested and settled / paid	-
Ending Balance, March 31, 2023	29

(c) Performance Based Share Units (PSUs)

For the three months ended March 31, 2023, and March 31, 2022, the Company granted nil PSUs.

For the three months ended March 31, 2023, the Company recorded compensation recovery of (\$6) and for three months ended March 31, 2022, the Company recorded compensation expense of \$1, related to the PSUs forfeited and granted, respectively.

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

	March 31
	2023
Opening Balance, January 1, 2023	19
Granted	-
Forfeited	(2)
Vested and settled / paid	-
Ending Balance, March 31, 2023	17

(d) Stock-Based Compensation Summary

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

	Three months ended March 31 2023	Three months ended March 31 2022
Restricted share units	\$ (55)	\$ 30
Performance-based share units	(6)	1
Stock options	208	58
Directors' fees paid in shares	55	84
	\$ 202	\$ 173

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)****10. Loss Per Share**

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

	Three months ended March 31 2023	Three months ended March 31 2022
Numerator for basic and diluted loss per share:		
Net loss for the period	\$ (2,549)	\$ (3,140)
Denominator for basic and diluted loss per share:		
Basic weighted average number of shares outstanding	19,737	19,669
Effect of stock options, RSUs and PSUs	-	-
Diluted weighted average number of shares outstanding	19,737	19,669
Loss per share:		
Basic	\$ (0.13)	\$ (0.16)
Diluted	\$ (0.13)	\$ (0.16)

Due to the loss for the three months ended March 31, 2023, the impact of all the options, RSUs and PSUs totaling 786 (2022 – 404), were excluded in the calculation of diluted loss per share because they were antidilutive.

11. Fair value of financial instruments

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. Cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are not shown below as the carrying value of these financial instruments approximates their fair value due to their short-term maturities.

a) Classification and fair values

	Carrying Amount		Fair Value (Level 2)	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
Financial Assets				
Short term investments	1,143	1,158	1,143	1,158
Financial Liabilities				
Long term debt (Note 7)	6,215	6,157	6,215	6,157

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements****(Unaudited, In thousands of Canadian dollars, except for per share amounts)**

b) Credit risk

The Company's credit risk exposure and management strategies are discussed in the notes to the 2022 Consolidated Financial Statements. During the three months ended March 31, 2023, the movement in the credit loss allowance in respect of trade receivables was as follows:

	<u>2023</u>
Opening Balance, January 1, 2023	73
Amounts written off	(32)
Remeasurement of loss allowance	<u>(22)</u>
Ending Balance, March 31, 2023	<u>19</u>

c) Liquidity Risk

The Company's liquidity risk exposure and management strategies are discussed in the notes to the 2022 Consolidated Financial Statements. As of March 31, 2023, the Company had cash and cash equivalents and short-term investments of \$2,920. The Company also has access to \$775 undrawn portion of its \$1,000 credit facilities after consideration of outstanding letters of credit, current drawings, and subject to certain financial and non-financial covenants, which the Company is in compliance with as at March 31, 2023. As at March 31, 2023, the Company still has access to USD \$15 million under its long-term debt facility (see Notes 7 and 13).

12. Divestiture of Cloud and Colocation Business

On January 31, 2022, TERAGO completed the divestiture of its cloud and colocation business. In accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of the cloud and colocation business were classified as a disposal group held for sale as at December 31, 2021.

The divestiture transaction closed on January 31, 2022, for an aggregate consideration of \$30,000 in cash, of which \$500 is held in escrow until July 31, 2023, subject to indemnity claims. The proceeds received of \$27,313 is net of \$500 held in escrow and working capital and other post-closing adjustments. The Company recorded a further \$107 impairment loss on divestiture, as a result of the final transaction amounts and recorded as an impairment on the disposal of assets in the Statement of Comprehensive Loss for the year ended December 31, 2022.

As TeraGo has one CGU, the cloud and colocation business was not considered a discontinued operation.

13. Subsequent Events

On April 3, 2023, the Company drew down another installment on its debt facility (Note 7) in the amount of CAD \$3,024 (USD \$2,250) in conjunction with the terms of the agreement. The Company incurred an additional transaction fee of CAD \$45 (USD \$34) and CAD \$113 for the accrued exit fee upon the subsequent draw down.