

TERAGO INC.
Interim Condensed Consolidated Financial Statements
Three and Six Months Ended June 30, 2022, and 2021
(Unaudited)

Contents	Page(s)
<hr/>	
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

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

	<i>Note</i>	June 30 2022	December 31 2021
Assets			
Cash and cash equivalents	4	\$ 4,183	\$ 5,481
Cash held on behalf of third party	4	1,405	-
Short-term investments		1,139	-
Accounts receivable	4	2,159	1,586
Prepaid expenses and other assets		599	350
Current portion of contract costs	3	188	192
Current portion of other long-term assets	9	3	8
Assets classified as held for sale		-	39,952
Total current assets		9,676	47,569
Network assets, property and equipment	5	32,959	33,990
Intangible assets	6	10,278	10,291
Other long-term assets	9	-	1
Goodwill	6	861	861
Contract costs	3	575	518
Total non-current assets		44,673	45,661
Total Assets		\$ 54,349	\$ 93,230
Liabilities			
Accounts payable and accrued liabilities		\$ 3,687	\$ 3,832
Payable to third party	4	1,405	-
Current portion of contract liabilities	3	140	191
Current portion of long-term debt	7	-	2,250
Current portion of lease liabilities	8	4,946	5,632
Liabilities associated with assets classified as held for sale		-	12,265
Total current liabilities		10,178	24,170
Decommissioning and restoration obligations		518	494
Contract liabilities	3	272	271
Long-term debt	7	-	17,541
Lease liabilities	8	9,027	10,492
Total non-current liabilities		9,817	28,798
Total Liabilities		19,995	52,968
Shareholders' Equity			
Share capital		117,997	117,848
Warrant reserve		743	743
Contributed surplus		26,586	26,391
Deficit		(110,972)	(104,720)
Total Shareholders' Equity		\$ 34,354	\$ 40,262
Total Liabilities and Shareholders' Equity		\$ 54,349	\$ 93,230

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.**Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)**

		Three months ended June 30		Six months ended June 30	
	<i>Note</i>	2022	2021	2022	2021
Revenue from operations	3	\$ 6,625	10,903	14,414	21,732
Other revenue	3	\$ 106	-	241	-
		6,731	10,903	14,655	21,732
Expenses					
Cost of services		1,828	2,683	4,060	5,197
Salaries and related costs		3,019	3,602	6,462	7,855
Other operating expenses		1,979	1,775	4,033	3,426
Amortization of intangible assets	6	10	352	13	712
Depreciation of network assets, property, and equipment	5	2,492	3,269	4,981	6,516
		9,328	11,681	19,549	23,706
Loss from operations		(2,597)	(778)	(4,894)	(1,974)
Impairment loss on held for sale assets		-	-	(107)	-
Foreign exchange gain (loss)		(39)	19	(34)	40
Finance costs		(508)	(1,049)	(1,264)	(2,052)
Finance income		32	12	47	24
Loss before income taxes		\$ (3,112)	(1,796)	(6,252)	(3,962)
Income taxes					
Income tax expense		-	-	-	-
Income tax recovery		-	-	-	-
Net earnings (loss) and comprehensive earnings (loss)		\$ (3,112)	(1,796)	(6,252)	(3,962)
Deficit, beginning of period		\$ (107,860)	(91,714)	(104,720)	(89,548)
Deficit, end of period		\$ (110,972)	(93,510)	(110,972)	(93,510)
Basic & Diluted loss per share	11	\$ (0.16)	(0.09)	(0.32)	(0.22)
Basic & Diluted weighted average number of shares outstanding (in 000's)		19,683	19,618	19,676	18,204

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

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

		Three months ended		Six months ended	
		June 30		June 30	
	<i>Note</i>	2022	2021	2022	2021
Operating Activities					
Net loss for the period		(3,112)	(1,796)	(6,252)	(3,962)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Severance, acquisition, and other costs		689	89	1,143	519
Depreciation of network assets, property and equipment	5	2,492	3,269	4,981	6,516
Amortization of intangible assets	6	10	352	13	712
Stock-based compensation expense	10	171	250	344	479
Finance costs		508	1,049	1,264	2,052
Finance income		(32)	(12)	(47)	(24)
Loss/gain on adjustments and disposal of network assets and intangible assets		-	117	171	123
Impairment of assets and related charges	3, 5	254	70	374	227
Severance, acquisition, and other costs paid		59	(252)	(604)	(632)
Stock-based compensation paid		-	(150)	-	(150)
Changes in non-cash working capital items:					
Accounts receivable		189	(59)	(20)	(63)
Prepaid expenses		170	(222)	(259)	(113)
Accounts payable and accrued liabilities		(425)	(391)	(636)	(1,143)
Contract liabilities		(21)	(12)	(50)	11
Contract costs		(20)	(73)	(57)	(332)
Cash from Operating Activities		932	2,229	365	4,220
Investing Activities					
Proceeds from divested assets		-	-	27,313	-
Purchase of network assets, property, and equipment	5	(1,913)	(2,248)	(3,742)	(4,541)
Purchase of short-term investments		(3)	-	(1,139)	-
Change in receivable in escrow		28	-	(500)	-
Change in non-cash working capital related to network assets, property and equipment and intangible assets		(906)	(25)	(521)	78
Cash used in Investing Activities		(2,794)	(2,273)	21,411	(4,463)
Financing Activities					
Proceeds from issuance of warrants		-	743	-	743
Proceeds from equity offering		-	13,812	-	13,812
Interest paid, net of received		-	(410)	-	(703)
Repayment of long-term debt	7	-	(5,250)	(19,987)	(6,000)
Financing costs incurred		-	(85)	-	(85)
Payments of lease liabilities	8	(1,519)	(2,016)	(3,087)	(3,922)
Government grants		-	242	-	400
Cash from (used in) Financing Activities		(1,519)	7,036	(23,074)	4,245
Net change in cash and cash equivalents, during the period		(3,381)	6,992	(1,298)	4,002
Cash and cash equivalents, beginning of period		7,564	2,868	5,481	5,858
Cash and cash equivalents, end of period		4,183	9,860	4,183	9,860

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

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

	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 director's fees	33	149	-	-	-	149
Stock-based compensation	-	-	195	-	-	195
Net loss and comprehensive loss	-	-	-	-	(6,252)	(6,252)
Balance, June 30, 2022	19,700	\$ 117,997	\$ 26,586	\$ 743	\$(110,972)	\$ 34,354

	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000's)	Amount				
Balance, January 1, 2021	16,762	\$ 103,223	\$ 27,191	\$ -	(89,548)	\$ 40,866
Issuance of shares upon exercise of options	1	3	(3)	-	-	-
Stock-based compensation	-	-	341	-	-	341
Issuance of common shares from vesting of RSUs/PSUs	64	490	(490)	-	-	-
Shares deducted for payment of withholding tax	(20)	-	(150)	-	-	(150)
Issuance of shares and warrants for equity offering (net of issuance costs)	2,802	13,812	-	743	-	14,555
Issuance of shares for directors' fees	10	53	84	-	-	137
Net loss and comprehensive loss	-	-	-	-	(3,962)	(3,962)
Balance, June 30, 2021	19,619	\$ 117,581	\$ 26,973	\$ 743	(93,510)	\$ 51,787

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

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements
(In thousands, 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, 2021 (the “2021 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 2021 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 2021 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 June 30, 2022. The Board of Directors authorized the interim financial statements for issue on August 15, 2022.

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.

3. Revenue

The Company’s operations, main sources of revenue, and methods for recognition are those described in Note 3 of the 2021 Consolidated Financial Statements. The Company’s revenue is primarily derived from contracts with customers.

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

a) Disaggregation of revenue

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

		Three months ended		Six months ended	
		June 30		June 30	
		2022	2021	2022	2021
Cloud and Colocation Revenue	\$	-	4,324	1,355	8,427
Connectivity Revenue		6,625	6,579	13,059	13,305
Revenue from Operations	\$	6,625	10,903	14,414	21,732
Other Revenue		106	-	241	-
Total Revenue		6,731	10,903	14,655	21,732

Other Revenue includes fees earned for transition services provided to the Purchaser of the Company's Cloud and Colocation business (Note 13). The transition services are estimated to continue for a period of up to 12 months following the divestiture of the cloud and colocation business, which occurred on January 31, 2022.

The comparative Cloud and Colocation Revenue and Connectivity Revenue for the three and six months ended June 30, 2021, have been changed to conform with the presentation of revenue stream allocations for the three and six months ended June 30, 2022.

b) Contract Costs

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

		2022
Balance, March 31, 2022	\$	743
Incremental commissions capitalized		125
Impairment charges from contract terminations		-
Amortization		(105)
Balance, June 30, 2022		763
Less: current	\$	(188)
		575
		2022
Balance, January 1, 2022	\$	710
Change due to divested assets		(20)
Incremental commissions capitalized		260
Impairment charges from contract terminations		(4)
Amortization		(183)
Balance, June 30, 2022		763
Less: current	\$	(188)
		575

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

c) Contract Liabilities

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

		2022
Balance, March 31, 2022	\$	433
Additions from provisioning		27
Revenue recognized for services provided		(48)
Write-offs from contract terminations		-
Balance, June 30, 2022		412
Less: current	\$	(140)
		272
		2022
Balance, January 1, 2022	\$	462
Additions from provisioning		64
Revenue recognized for services provided		(112)
Write-offs from contract terminations		(2)
Balance, June 30, 2022		412
Less: current	\$	(140)
		272

d) Unsatisfied Performance Obligations

The aggregate amount of revenue allocated to performance obligations that are unsatisfied as of June 30, 2022, was \$19,871. This represents contractual service obligations that the Company has yet to fulfill under its contracts with customers. The Company expects to recognize this revenue over the next 3 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 of the purchaser of TeraGo's Cloud and Colocation business (the "Purchaser"). In connection with the divestiture of the Cloud and Colocation business (Note 13), TeraGo entered into a transition services agreement ("TSA") with the Purchaser for a variety of support and services, of which the accounting and finance support runs from January 31, 2022 to July 31, 2022. Under the TSA, TeraGo is performing billing and cash collection services on behalf of the Purchaser. This cash is due to the Purchaser, and a payable to third party account of an equal amount is included in TeraGo's statement of financial position as at June 30, 2022.

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements**
(In thousands, except for per share amounts)**c) Accounts receivable**

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

	June 30	December 31
	2022	2021
Trade receivables	\$ 1,526	\$ 2,631
Allowance for doubtful accounts	(95)	(97)
Other	228	256
Receivable in escrow	500	-
Accounts receivable, net classified as assets held for sale	-	(1,204)
	\$ 2,159	\$ 1,586

5. Network Assets, Property and Equipment

Cost	Network Assets	Cloud & Datacentre Infrastructure	Computer Equipment	Office Furniture and Equipment	Leasehold Improvements	Vehicles	Right-of-use Assets	Total
Balance, January 1, 2022	\$ 132,334	\$ 12,591	\$ 5,199	\$ 2,330	\$ 3,075	\$ 49	\$ 39,945	\$ 195,523
Divested Assets	(8,043)	(12,023)	(13)	(13)	(1,371)	-	(13,443)	(34,906)
Additions	3,428	289	25	-	-	-	102	3,844
Reclassifications / Adjustments	(6)	6	-	-	-	-	460	460
Impairment	(562)	-	-	-	-	-	-	(562)
Balance, June 30, 2022	\$ 127,151	\$ 863	\$ 5,211	\$ 2,317	\$ 1,704	\$ 49	\$ 27,064	\$ 164,359
Accumulated Depreciation								
Balance, January 1, 2022	\$ 108,968	\$ 5,826	\$ 5,038	\$ 2,320	\$ 2,753	\$ 49	\$ 16,421	\$ 141,375
Divested Assets	(4,105)	(5,228)	(7)	(11)	(1,062)	-	(4,351)	(14,764)
Depreciation for the period	2,618	15	42	2	4	-	2,300	4,981
Reclassifications / Adjustments	-	-	-	-	-	-	-	-
Impairment	(192)	-	-	-	-	-	-	(192)
Balance, June 30, 2022	\$ 107,289	\$ 613	\$ 5,073	\$ 2,311	\$ 1,695	\$ 49	\$ 14,370	\$ 131,400
Net Book Value, June 30, 2022	\$ 19,862	\$ 250	\$ 138	\$ 6	\$ 9	\$ -	\$ 12,694	\$ 32,959

Impairment of Property, Plant, and Equipment

As a result of the loss of certain customers and customer locations in primarily connectivity offerings during the three and six months ended June 30, 2022, the Company determined that certain network assets were not recoverable. As a result, the assets were written down to their recoverable amount and an impairment charge of \$370 (Cost of \$562 less accumulated depreciation of \$192) was recorded in other operating expenses on the statement of comprehensive loss in the period (2021 - \$219).

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements**
(In thousands, except for per share amounts)**6. Intangible Assets and Goodwill**

Cost	Radio spectrum licenses	Computer Software	Customer relationships	Other	Total Intangibles	Goodwill	Total Intangibles and Goodwill
Balance, January 1, 2022	\$ 12,649	\$ 9,868	\$ 18,021	\$ 4,831	\$ 45,369	\$ 19,419	\$ 64,788
Divested Assets	-	-	(11,556)	-	(11,556)	(14,031)	(25,587)
Additions	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Balance, June 30, 2022	\$ 12,649	\$ 9,868	\$ 6,465	\$ 4,831	\$ 33,813	\$ 5,388	\$ 39,201
Accumulated Depreciation							
Balance, January 1, 2022	\$ 2,371	\$ 9,855	\$ 14,223	\$ 4,831	\$ 31,280	\$ 4,527	\$ 35,807
Divested Assets	-	-	(7,758)	-	(7,758)	-	(7,758)
Amortization for the period	-	13	-	-	13	-	13
Impairment	-	-	-	-	-	-	-
Balance, June 30, 2022	\$ 2,371	\$ 9,868	\$ 6,465	\$ 4,831	\$ 23,535	\$ 4,527	\$ 28,062
Net Book Value, June 30, 2022	\$ 10,278	\$ -	\$ -	\$ -	\$ 10,278	\$ 861	\$ 11,139

7. Long-term Debt

	June 30 2022	December 31 2021
Term debt facility	\$ -	\$ 19,988
Equipment loans	-	-
less: financing fees	-	(197)
	-	19,791
less: current portion	-	(2,250)
	\$ -	\$ 17,541

Term Debt Facility

At December 31, 2021, the Company had a prime rate loan of \$19,988 and unamortized finance costs of \$197. On February 1, 2022, after the closing of the divestiture of cloud and colocation assets (Note 13), the Company paid off the prime rate loan in its entirety. Any financing fees that were recorded as a reduction in the carrying amount of the previous term debt facilities and prime interest rate loans were fully amortized at March 31, 2022.

8. Leases

The Company has numerous 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.

b) Lease Liability

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

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

	<u>2022</u>
Lease liabilities, March 31, 2022	\$ 14,590
Additions	40
Terminations	(11)
Interest on lease liabilities	489
Modifications	384
Lease payments	(1,519)
Lease liabilities, June 30, 2022	13,973
less: current portion	(4,946)
	<u>\$ 9,027</u>
	<u>2022</u>
Lease liabilities, January 1, 2022	\$ 16,124
Additions	142
Terminations	(577)
Interest on lease liabilities	911
Modifications	460
Lease payments	(3,087)
Lease liabilities, June 30, 2022	13,973
less: current portion	(4,946)
	<u>\$ 9,027</u>

9. Other Long-Term Assets/Liabilities**(a) Other long-term assets**

	<u>June 30</u>	<u>December 31</u>
	<u>2022</u>	<u>2021</u>
Contract asset	\$ 3	40
Contract assets classified as held for sale	3	(31)
	(3)	9
less: current portion	-	(8)
	<u>\$ -</u>	<u>\$ 1</u>

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

For the three and six months ended June 30, 2022, the Company granted 250 and 270 stock options, respectively, to certain key executives (2021 – nil and 139, respectively).

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

For the three and six months ended June 30, 2022, the Company recorded stock-based compensation related to stock options of \$112 and \$170, respectively (2021 - \$117 and \$225, respectively).

A summary of the change in the Company's stock option plan as at June 30, 2022, is presented below.

	2022	
	Number of	Weighted
	Options	Average
		Exercise Price
Outstanding, January 1, 2022	323	\$7.03
Granted	270	\$5.32
Exercised	-	-
Forfeited / Expired	(126)	\$7.52
Outstanding, June 30, 2022	467	\$5.91
Exercisable	90	\$7.52

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

(b) Restricted Share Units (RSUs)

For the three and six months ended June 30, 2022, the Company granted nil and nil RSUs, respectively, to certain key executives (2021 – 20 and 46, respectively).

For the three and six months ended June 30, 2022, the Company recorded compensation expense of \$(5) and \$25, respectively, related to the RSUs granted (2021 - \$44 and \$109, respectively).

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

	2022
Opening Balance, January 1, 2022	67
Granted	-
Forfeited	(25)
Vested	-
Ending Balance, June 30, 2022	42

(c) Performance Based Share Units (PSUs)

For the three and six months ended June 30, 2022, the Company granted nil and nil PSUs, respectively, to certain key executives (2021 – nil and 61, respectively).

For the three and six months ended June 30, 2022, the Company recorded compensation expense of \$(1) and \$nil, respectively, related to the PSUs granted (2021 – \$4 and \$6, respectively).

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

	2022
Opening Balance, January 1, 2022	37
Granted	-
Vested	-
Forfeited / Expired	-
Ending Balance, June 30, 2022	37

(d) Stock-Based Compensation Summary

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

	Three months ended		Six months ended	
	June 30		June 30	
	2022	2021	2022	2021
Restricted share units	\$ (5)	44	\$ 25	109
Performance-based share units	(1)	4	-	6
Stock options	112	118	170	226
Directors' fees	65	84	149	138
	\$ 171	250	\$ 344	479

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements
(In thousands, except for per share amounts)****11. 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	
	2022	2021	2022	2021
Numerator for basic and diluted loss per share:				
Net loss for the period	\$ (3,112)	(1,796)	\$ (6,252)	(3,962)
Denominator for basic and diluted loss per share:				
Basic weighted average number of shares outstanding	19,683	19,618	19,676	18,204
Effect of stock options, RSUs and PSUs	-	-	-	-
Diluted weighted average number of shares outstanding	19,683	19,618	19,676	18,204
Loss per share:				
Basic	\$ (0.16)	(0.09)	\$ (0.32)	(0.22)
Diluted	\$ (0.16)	(0.09)	\$ (0.32)	(0.22)

Due to the loss for the three and six months ended June 30, 2022, the impact of all the options, RSUs, and PSUs totaling 498 and 451, respectively (2021 – 672 and 624), were excluded in the calculation of diluted loss per share because they were antidilutive.

12. 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, cash held on behalf of third party, short-term investment, 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)	
	June 30 2022	December 31 2021	June 30 2022	December 31 2021
Financial Liabilities				
Long-term debt (Note 7)	-	19,791	-	19,791

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

b) Credit risk

The Company's credit risk exposure and management strategies are discussed in the notes to the 2021 Consolidated Financial Statements. During the six months ended June 30, 2022, the movement in the credit loss allowance in respect of trade receivables was as follows

	<u>2022</u>
Opening Balance, January 1, 2022	97
Amounts written off	16
Remeasurement of loss allowance	(18)
Ending Balance, June 30, 2022	<u>95</u>

c) Liquidity Risk

The Company's liquidity risk exposure and management strategies are discussed in the notes to the 2021 Consolidated Financial Statements. As at June 30, 2022, the Company had cash and cash equivalents of \$4,183 plus an additional \$1,139 of short-term investments. The Company also has access to \$375 undrawn portion of its \$1,000 credit facilities after consideration of outstanding letters of credit, current drawings.

13. 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.

For the three months ended March 31, 2022, the fair value of the assets and liabilities was determined based on the final purchase price of the cloud and colocation business, less costs TeraGo incurred to sell the business, and the Company recorded an additional loss of \$107 on the divested assets and liabilities in the period. No further activity was recorded in the three months ended June 30, 2022.

14. Government Grants

The Company was not eligible for the Canadian Emergency Wage Subsidy ("CEWS"), Canada Emergency Rent Subsidy ("CERS"), or other related grants for the three and six months ended June 30, 2022.

For the comparative period of the six months ended June 30, 2021, the Company recorded a grant of \$242 and \$347 related to the CEWS and CERS programs, respectively. Amounts received related to the CEWS were recorded as a reduction in salaries and related costs and amounts received under the CERS program have been recorded as a reduction in other operating expenses