

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

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

	Note	September 30 2022	December 31 2021
Assets			
Cash and cash equivalents	4	\$ 1,781	\$ 5,481
Cash held on behalf of third party	4	557	-
Short-term investments		1,147	-
Accounts receivable	4	3,082	1,586
Prepaid expenses and other assets		529	350
Current portion of contract costs	3	291	192
Current portion of other long-term assets	9	2	8
Assets classified as held for sale		-	39,952
Total current assets		<u>7,389</u>	<u>47,569</u>
Network assets, property and equipment	5	33,261	33,990
Intangible assets	6	10,278	10,291
Other long-term assets	9	-	1
Goodwill	6	861	861
Contract costs	3	446	518
Total non-current assets		<u>44,846</u>	<u>45,661</u>
Total Assets		<u>\$ 52,235</u>	<u>\$ 93,230</u>
Liabilities			
Accounts payable and accrued liabilities		\$ 4,254	\$ 3,832
Payable to third party		557	-
Current portion of contract liabilities	3	135	191
Current portion of long-term debt	7	-	2,250
Current portion of lease liabilities	8	5,114	5,632
Liabilities associated with assets classified as held for sale		-	12,265
Total current liabilities		<u>10,060</u>	<u>24,170</u>
Decommissioning and restoration obligations		529	494
Contract liabilities	3	209	271
Long-term debt	7	-	17,541
Lease liabilities	8	9,767	10,492
Total non-current liabilities		<u>10,505</u>	<u>28,798</u>
Total Liabilities		<u>20,565</u>	<u>52,968</u>
Shareholders' Equity			
Share capital		118,059	117,848
Warrant reserve		743	743
Contributed surplus		26,753	26,391
Deficit		(113,885)	(104,720)
Total Shareholders' Equity		<u>\$ 31,670</u>	<u>\$ 40,262</u>
Total Liabilities and Shareholders' Equity		<u>\$ 52,235</u>	<u>\$ 93,230</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.**Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)**

	Note	Three months ended September 30		Nine months ended September 30	
		2022	2021	2022	2021
Revenue from operations	3	\$ 6,516	10,876	20,930	32,608
Other revenue	3	\$ 116	-	357	-
		6,632	10,876	21,287	32,608
Expenses					
Cost of services		1,799	2,841	5,859	8,038
Salaries and related costs		3,484	3,755	9,946	11,610
Other operating expenses		1,400	1,959	5,433	5,385
Amortization of intangible assets	6	-	334	13	1,046
Depreciation of network assets, property, and equipment	5	2,562	3,307	7,543	9,823
		9,245	12,196	28,794	35,902
Loss from operations		(2,613)	(1,320)	(7,507)	(3,294)
Impairment loss on held for sale assets		-	-	(107)	-
Foreign exchange gain (loss)		(4)	(19)	(38)	21
Finance costs		(334)	(929)	(1,598)	(2,981)
Finance income		38	13	85	37
Loss before income taxes		\$ (2,913)	(2,255)	(9,165)	(6,217)
Income taxes					
Income tax expense		-	-	-	-
Income tax recovery		-	-	-	-
Net earnings (loss) and comprehensive earnings (loss)		\$ (2,913)	(2,255)	(9,165)	(6,217)
Deficit, beginning of period		\$ (110,972)	(93,510)	(104,720)	(89,548)
Deficit, end of period		\$ (113,885)	(95,765)	(113,885)	(95,765)
Basic & Diluted loss per share	11	\$ (0.15)	(0.11)	(0.47)	(0.34)
Basic & Diluted weighted average number of shares outstanding (in 000's)		19,700	19,635	19,540	18,471

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 September 30		Nine months ended September 30	
	Note	2022	2021	2022	2021
Operating Activities					
Net loss for the period		(2,913)	(2,255)	(9,165)	(6,217)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Severance, acquisition, and other costs		374	513	1,517	1,032
Depreciation of network assets, property and equipment	5	2,562	3,307	7,543	9,823
Amortization of intangible assets	6	-	334	13	1,046
Stock-based compensation expense	10	229	155	573	634
Finance costs		334	929	1,598	2,981
Finance income		(38)	(13)	(85)	(37)
Loss/gain on adjustments and disposal of network assets and intangible assets	5	-	46	171	169
Impairment of assets and related charges	3, 5	58	81	432	308
Severance, acquisition, and other costs paid		(246)	(225)	(850)	(857)
Stock-based compensation paid		-	-	-	(150)
Changes in non-cash working capital items:					
Accounts receivable		(884)	(173)	(904)	(236)
Prepaid expenses		(128)	188	(387)	75
Accounts payable and accrued liabilities		550	(22)	(86)	(765)
Contract liabilities		(68)	121	(118)	132
Contract costs		18	14	(39)	(318)
Cash from Operating Activities		(152)	2,587	213	6,807
Investing Activities					
Proceeds from divested assets		-	-	27,313	-
Purchase of network assets, property, and equipment	5	(935)	(1,491)	(4,677)	(6,032)
Purchase of short-term investments	6	-	-	(1,139)	-
Change in receivable in escrow		-	-	(500)	-
Change in non-cash working capital related to network assets, property and equipment and intangible assets		46	(399)	(475)	(321)
Cash used in Investing Activities		(889)	(1,890)	20,522	(6,353)
Financing Activities					
Proceeds from issuance of warrants		-	-	-	743
Proceeds from equity offering		-	-	-	13,812
Interest paid, net of received		-	(240)	-	(943)
Repayment of long-term debt	7	-	(1,950)	(19,987)	(7,950)
Financing costs incurred		-	-	-	(85)
Payments of lease liabilities	8	(1,361)	(1,906)	(4,448)	(5,828)
Government grants		-	225	-	625
Cash from (used in) Financing Activities		(1,361)	(3,871)	(24,435)	374
Net change in cash and cash equivalents, during the period		(2,402)	(3,174)	(3,700)	828
Cash and cash equivalents, beginning of period		4,183	9,860	5,481	5,858
Cash and cash equivalents, end of period		1,781	6,686	1,781	6,686

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	50	211	-	-	-	211
Stock-based compensation	-	-	362	-	-	362
Net loss and comprehensive loss	-	-	-	-	(9,165)	(9,165)
Balance, September 30, 2022	19,717	\$ 118,059	\$ 26,753	\$ 743	\$(113,885)	\$ 31,670

	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	-	-	420	-	-	420
Issuance of common shares from vesting of RSUs/PSUs	69	515	(515)	-	-	-
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	39	214	-	-	-	214
Net loss and comprehensive loss	-	-	-	-	(6,217)	(6,217)
Balance, September 30, 2021	19,653	\$ 117,767	\$ 26,943	\$ 743	\$(95,765)	\$ 49,688

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 September 30, 2022. The Board of Directors authorized the interim financial statements for issue on November 9, 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.

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)

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 September 30		Nine months ended September 30	
		2022	2021	2022	2021
Cloud and Colocation Revenue	\$	-	4,369	1,355	12,796
Connectivity Revenue		6,516	6,507	19,575	19,812
Revenue from Operations	\$	6,516	10,876	20,930	32,608
Other Revenue		116	-	357	-
Total Revenue		6,632	10,876	21,287	32,608

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 nine months ended September 30, 2021, have been changed to conform with the presentation of revenue stream allocations for the three and nine months ended September 30, 2022.

b) Contract Costs

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

		2022
Balance, June 30, 2022	\$	763
Incremental commissions capitalized		80
Impairment charges from contract terminations		(8)
Amortization		(98)
Balance, September 30, 2022		737
Less: current	\$	(291)
		446
		2022
Balance, January 1, 2022	\$	710
Change due to divested assets		(20)
Incremental commissions capitalized		340
Impairment charges from contract terminations		(12)
Amortization		(281)
Balance, September 30, 2022		737
Less: current	\$	(291)
		446

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, June 30, 2022	\$	412
Additions from provisioning		12
Revenue recognized for services provided		(82)
Write-offs from contract terminations		2
Balance, September 30, 2022		344
Less: current	\$	(135)
		209
		2022
Balance, January 1, 2022	\$	462
Additions from provisioning		76
Revenue recognized for services provided		(194)
Write-offs from contract terminations		-
Balance, September 30, 2022		344
Less: current	\$	(135)
		209

d) Unsatisfied Performance Obligations

The aggregate amount of revenue allocated to performance obligations that are unsatisfied as of September 30, 2022, was \$19,192. 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 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, but has been extended through October 31, 2022 at the request of the Purchaser. 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 September 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:

	<u>September 30</u>	<u>December 31</u>
	<u>2022</u>	<u>2021</u>
Trade receivables	\$ 1,843	\$ 2,631
Allowance for doubtful accounts	(85)	(97)
Other	824	256
Receivable in escrow	500	-
Accounts receivable, net classified as assets held for sale	-	(1,204)
	<u>\$ 3,082</u>	<u>\$ 1,586</u>

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	4,529	117	26	5	-	-	202	4,879
Reclassifications / Adjustments	(9)	9	-	-	-	-	2,339	2,339
Impairment	(660)	-	-	-	-	-	-	(660)
Balance, September 30, 2022	\$ 128,151	\$ 694	\$ 5,212	\$ 2,322	\$ 1,704	\$ 49	\$ 29,043	\$ 167,175
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	3,946	27	63	2	7	-	3,498	7,543
Reclassifications / Adjustments	(1)	1	-	-	-	-	-	-
Impairment	(240)	-	-	-	-	-	-	(240)
Balance, September 30, 2022	\$ 108,568	\$ 626	\$ 5,094	\$ 2,311	\$ 1,698	\$ 49	\$ 15,568	\$ 133,914
Net Book Value, September 30, 2022	\$ 19,583	\$ 68	\$ 118	\$ 11	\$ 6	\$ -	\$ 13,475	\$ 33,261

Impairment of Property, Plant, and Equipment

As a result of the loss of certain customers and customer locations during the three and nine months ended September 30, 2022, the Company determined that certain network assets were not recoverable as they are no longer in use. As a result, the assets were written down to their net book value amount of \$50 (Cost of \$98 less accumulated depreciation of \$48) and disposed and an impairment charge of \$50 was recorded for the three month period ended September 30, 2022 and \$420 for the nine months ended September 30, 2022 (Cost of \$660 less accumulated depreciation of \$240) was recorded in other operating expenses on the statement of comprehensive loss in the period (2021 - \$71 and \$290, respectively).

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, September 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	0	-	13	-	13
Impairment	-	-	-	-	-	-	-
Balance, September 30, 2022	\$ 2,371	\$ 9,868	\$ 6,465	\$ 4,831	\$ 23,535	\$ 4,527	\$ 28,062
Net Book Value, September 30, 2022	\$ 10,278	\$ -	\$ (0)	\$ -	\$ 10,278	\$ 861	\$ 11,139

7. Long-term Debt

	September 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.

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

TeraGo and CrowdOut – Long Term Debt Note

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 million. 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 million. At the conclusion of the loan term, there is an exit fee payable to the lender of up to a maximum of CAD\$ 1 million calculated on a pro-rata basis determined by the amount of the facility that has been drawn down at the time of exit.

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. 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).

Subsequent to quarter end, on October 3, 2022, the Company received the initial USD\$ 5,000,000 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.

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

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

		2022
Lease liabilities, September 30, 2022	\$	13,973
Additions		60
Terminations		-
Interest on lease liabilities		319
Modifications		1,879
Lease payments		(1,350)
Lease liabilities, September 30, 2022		14,881
less: current portion		(5,114)
	\$	<u>9,767</u>

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

		2022
Lease liabilities, January 1, 2022	\$	16,124
Additions		202
Terminations		(566)
Interest on lease liabilities		1,230
Modifications		2,339
Lease payments		(4,448)
Lease liabilities, September 30, 2022		14,881
less: current portion		(5,114)
	\$	<u>9,767</u>

9. Other Long-Term Assets/Liabilities

(a) Other long-term assets

		September 30	December 31
		2022	2021
Contract asset	\$	<u>2</u>	<u>40</u>
Contract assets classified as held for sale			<u>(31)</u>
		2	9
less: current portion		(2)	(8)
	\$	<u>-</u>	<u>\$ 1</u>

10. Stock-Based Compensation

(a) Stock Options

For the three and nine months ended September 30, 2022, the Company granted 23 and 293 stock options, respectively, to certain key executives (2021 – 16 and 155, respectively).

For the three and nine months ended September 30, 2022, the Company recorded stock-based compensation related to stock options of \$148 and \$318, respectively (2021 - \$60 and \$286, respectively).

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

		2022
		Number of
		Options
		Weighted
		Average
		Exercise Price
Outstanding, January 1, 2022	323	\$7.03
Granted	293	\$5.19
Exercised	-	-
Forfeited / Expired	(131)	\$7.44
Outstanding, September 30 2022	<u>485</u>	<u>\$5.81</u>
Exercisable	103	\$7.28

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 nine months ended September 30, 2022, the Company granted nil and nil RSUs, respectively, to certain key executives (2021 – 27 and 73, respectively).

For the three and nine months ended September 30, 2022, the Company recorded compensation expense of \$18 and \$43, respectively, related to the RSUs granted (2021 - \$17 and \$126, 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, September 30, 2022	42

(c) Performance Based Share Units (PSUs)

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

For the three and nine months ended September 30, 2022, the Company recorded compensation expense of \$1 and \$1, respectively, related to the PSUs granted (2021 – \$2 and \$8, 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, September 30, 2022	37

(d) Stock-Based Compensation Summary

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

	Three months ended		Nine months ended	
	September 30		September 30	
	2022	2021	2022	2021
Restricted share units	\$ 18	17	\$ 43	126
Performance-based share units	1	2	1	8
Stock options	148	60	318	286
Directors' fees	62	76	211	214
	\$ 229	155	\$ 573	634

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 September 30		Nine months ended September 30	
	2022	2021	2022	2021
Numerator for basic and diluted loss per share:				
Net loss for the period	\$ (2,913)	(2,255)	\$ (9,165)	(6,217)
Denominator for basic and diluted loss per share:				
Basic weighted average number of shares outstanding	19,700	19,635	19,540	18,471
Effect of stock options, RSUs and PSUs	-	-	-	-
Diluted weighted average number of shares outstanding	19,700	19,635	19,540	18,471
Loss per share:				
Basic	\$ (0.15)	(0.11)	\$ (0.47)	(0.34)
Diluted	\$ (0.15)	(0.11)	\$ (0.47)	(0.34)

Due to the loss for the three and nine months ended September 30, 2022, the impact of all the options, RSUs, and PSUs totaling 566 and 490, respectively (2021 – 668 and 639), 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)	
	September 30 2022	December 31 2021	September 30 2022	December 31 2021
Financial Liabilities				
Long-term debt (Note 7)	-	19,791	-	19,791

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(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 nine months ended September 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	13
Remeasurement of loss allowance	<u>(25)</u>
Ending Balance, September 30, 2022	<u>85</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 September 30, 2022, the Company had cash and cash equivalents of \$1,781 plus an additional \$1,147 of short-term investments. The Company also has access to \$800 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 September 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 nine months ended September 30, 2022.

For the comparative period of the nine months ended September 30, 2021, the Company recorded a grant of \$225 and \$552 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.