

TERAGO INC.
Interim Condensed Consolidated Financial Statements
Three months ended March 31, 2025 and 2024
(Unaudited)

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Notice of no auditor review of interim financial statements

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

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

TERAGO INC.

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

			March 31 2025	December 31 2024
	Note			
Assets				
Cash and cash equivalents	11	\$	1,865	4,186
Short-term investments	11		226	234
Accounts receivable			1,834	1,905
Prepaid expenses and other assets			1,122	695
Current portion of contract costs	3		151	160
Total current assets			5,198	7,180
Network assets, property and equipment	4		33,076	34,485
Intangible assets	5		11,015	11,020
Goodwill			861	861
Contract costs	3		420	441
Total non-current assets			45,372	46,807
Total Assets		\$	50,570	53,987
Liabilities				
Accounts payable and accrued liabilities	11	\$	4,520	4,161
Current portion of contract liabilities	3		208	196
Current portion of long-term debt	6, 11		24,994	24,847
Current portion of lease liabilities	7		5,451	5,577
Current portion of other long-term liabilities	6, 11		805	806
Total current liabilities			35,978	35,587
Decommissioning and restoration obligations			257	226
Contract liabilities	3		150	150
Lease liabilities	7		12,572	13,104
Total non-current liabilities			12,979	13,480
Total Liabilities		\$	48,957	49,067
Shareholders' Equity				
Share capital			118,628	118,596
Warrant reserve			570	570
Contributed surplus			28,698	28,501
Deficit			(146,283)	(142,747)
Total shareholders' equity		\$	1,613	4,920
Total Liabilities and Shareholders' Equity		\$	50,570	53,987
Going concern (note 2(a))				
Long-term debt (note 6)				
On behalf of the Board:				
(signed) "Ken Campbell"			(signed) "Pietro Cordova"	

See accompanying notes to 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	
		2025	2024
	<i>Note</i>		
Revenue from operations	3	\$ 6,414	6,472
Expenses			
Cost of services		1,672	1,751
Salaries and related costs		3,017	3,265
Other operating expenses		986	1,327
Amortization of intangible assets	5	20	5
Depreciation of network assets, property, and equipment	4	2,322	2,414
		<u>8,017</u>	<u>8,762</u>
Loss from operations		(1,603)	(2,290)
Foreign exchange gain(loss)		9	(10)
Finance costs		(1,964)	(1,303)
Finance income		22	56
Loss before income taxes		<u>\$ (3,536)</u>	<u>(3,547)</u>
Income taxes			
Income tax expense		-	-
Net loss and comprehensive loss		<u>\$ (3,536)</u>	<u>(3,547)</u>
Loss per share			
Basic and diluted	10	\$ (0.18)	(0.18)
Weighted average number of common shares outstanding (in thousands)			
Basic and diluted	10	20,003	19,858

See accompanying notes to interim financial statements.

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

(Expressed in thousands of Canadian dollars)

(Unaudited)

		Three months ended March 31	
	<i>Note</i>	2025	2024
Operating Activities			
Net loss for the period		\$ (3,536)	(3,547)
Adjustments to reconcile net loss to net cash used in operating activities:			
Severance, acquisition, and other costs		65	618
Depreciation of network assets, property and equipment	4	2,322	2,414
Amortization of intangible assets	5	20	5
Stock-based compensation expense	9	228	183
Finance costs		1,964	1,303
Finance income		(22)	(56)
Severance, acquisition, and other costs paid		(65)	(403)
Foreign exchange (gain)loss		(9)	10
Changes in non-cash working capital items:			
Accounts receivable		84	300
Prepaid expenses		(427)	(282)
Accounts payable and accrued liabilities		293	923
Contract liabilities		12	33
Contract costs		30	13
Cash from Operating Activities		\$ 959	1,514
Investing Activities			
Purchase of network assets, property, and equipment	4	\$ (776)	(1,107)
Purchase of intangible assets	5	(15)	(140)
Change in non-cash working capital related to network assets, property and equipment and intangible assets		38	(16)
Cash used in Investing Activities		\$ (753)	(1,263)
Financing Activities			
Long-term debt and interest paid	6	(1,102)	(692)
Payments of lease liabilities	7	(1,434)	(1,463)
Cash used in Financing Activities		\$ (2,536)	(2,155)
Net change in cash and cash equivalents during the period		\$ (2,330)	(1,904)
Cash and cash equivalents, beginning of period		4,186	4,381
Change in cash due to foreign exchange		9	(10)
Cash and cash equivalents, end of period		\$ 1,865	2,467

See accompanying notes to 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)

	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000's)	Amount				
Balance, January 1, 2025	20,002	\$ 118,596	\$ 28,501	\$ 570	\$ (142,747)	\$ 4,920
Issuance of shares for directors' fees	32	32	-	-	-	32
Stock-based compensation	-	-	197	-	-	197
Net loss and comprehensive loss	-	-	-	-	(3,536)	(3,536)
Balance, March 31, 2025	20,034	\$ 118,628	\$ 28,698	\$ 570	\$ (146,283)	\$ 1,613

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

See accompanying notes to interim financial statements.

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

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

Three Months Ended March 31, 2025 and 2024

(Unaudited)

1. Corporate Information

TERAGO Inc. (the "Company") is incorporated under the Canada Business Corporations Act with its corporate head office located at Suite 800 - 55 Commerce Valley Drive West, Thornhill, Ontario. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol TGO. The unaudited interim condensed consolidated financial statements of the Company as at and for the three months ended March 31, 2025 comprise the Company and its subsidiaries.

The Company owns and operates a carrier-grade, fixed wireless, fiber-based, IP communications network and provides managed network and security services to businesses across Canada ensuring highly secure, reliable and redundant connectivity services. As Canada's biggest mmWave spectrum holders, the Company possesses exclusive spectrum licenses in the 24GHz and 38 GHz spectrum bands, which it utilizes to provide secure, dedicated SLA guaranteed enterprise grade performance that is technology diverse from buried cables ensuring high availability connectivity services.

2. Basis of Preparation

(a) Going concern:

These unaudited interim condensed consolidated financial statements have been prepared on a going concern basis that assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and settle its liabilities and commitments in the normal course of business as they come due.

The Company has relied on funding through its existing U.S. \$19,000 three-year term debt facility to support its operations, which was amended on March 31, 2025 to increase to a U.S. \$21,000 term debt facility. The additional U.S. \$2,000 was received on April 3, 2025, resulting in the amended facility being fully drawn. The term debt facility matures on September 29, 2025 and the Company's current cash resources of \$1,865 at March 31, 2025 are not sufficient to repay the term debt facility on maturity as well as to fund its planned business operations. The Company's business plan is dependent upon securing additional financing through debt or issuance of equity to repay the term debt facility and finance its operations within and beyond the next twelve months.

The Company has been successful in securing financing in the past and the Company is currently exploring financing alternatives; however, there is no assurance that these initiatives will be successful.

The above conditions indicate the existence of a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. Management has assessed the Company's ability to raise additional financing and continue as a going concern and has concluded that the going concern basis of accounting is appropriate. These consolidated financial statements do not reflect any adjustments to the carrying value of assets, liabilities, and reported revenues and expenses that might be material and necessary should the Company be unable to continue as a going concern.

(b) Statement of compliance:

These unaudited interim condensed consolidated financial statements ("interim financial statements") were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2024 (the "2024 Consolidated Financial Statements"). These interim financial statements have been prepared in accordance with IFRS Accounting

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

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

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(Unaudited)

Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosure normally included in annual financial statements, 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 2024 Consolidated Financial Statements.

The policies applied in these interim financial statements are based on IFRS Accounting Standards issued and outstanding as at March 31, 2025. The Board of Directors authorized the interim financial statements for issue on May 13, 2025.

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

(c) Recently adopted accounting pronouncements:

Effective January 1, 2025, the Company adopted the following new amendments to IFRS:

Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB amended IAS 21 to clarify when a currency is exchangeable into another currency; and how a company estimates a spot rate when a currency lacks exchangeability. The adoption of these amendments did not have any impact on the interim financial statements for the three months ended March 31, 2025.

(d) Recent accounting pronouncements:

A number of new standards and amendments to standards and interpretations are noted below that are not yet effective for the three months ended March 31, 2025, that have not been applied in preparing these unaudited interim condensed consolidated financial statements:

(i) *Amendments to IFRS 9 and IFRS 7, Classification and Measurement of Financial Instruments:*

The IASB has amended IFRS 9 following its post implementation review of the classification and measurement requirements. The amendments include guidance on the classification of financial assets, including those with contingent features. The IASB has also amended IFRS 7, wherein companies will now be required to provide additional disclosures on financial assets and financial liabilities that have certain contingent features. The amendments are effective for annual periods beginning on or after January 1, 2026.

(ii) *Annual improvements to IFRS Accounting Standards:*

The annual improvements to IFRS Accounting Standards were issued on July 18, 2024. The IASB made minor amendments to IFRS 9 and to a further four accounting standards. The amendments to IFRS 9 address a conflict between IFRS 9 and IFRS 15 over the initial

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

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

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measurement of trade receivables; and how a lessee accounts for the derecognition of a lease liability. The amendments are effective for annual periods beginning on or after January 1, 2026.

(iii) *Presentation and disclosure in financial statements ("IFRS 18"):*

IFRS 18 was issued on April 9, 2024 and will replace IAS 1, Presentation of Financial Statements. IFRS 18 aims to provide greater consistency in presentation of the income and cash flow statements, and more disaggregated information in the financial statements. The standard is effective for annual periods beginning on or after January 1, 2027.

The Company intends to adopt each of the above standards, as applicable to the Company, in the year in which they are effective. The Company is reviewing these new standards and amendments to determine the potential impact on the Company's consolidated financial statements once they are adopted.

3. Revenue**a) Disaggregation of revenue**

The Company's operations, main sources of revenue, and methods for recognition are those described in Note 4 of the 2024 Consolidated Financial Statements. The Company's revenue consists of connectivity revenue derived from contracts with customers.

b) Contract Costs

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

		2025	2024
Balance, January 1	\$	601	603
Incremental costs capitalized		25	63
Amortization		(55)	(76)
Balance, March 31		571	590
Less: current		(151)	(221)
	\$	420	369

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

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

Three Months Ended March 31, 2025 and 2024

(Unaudited)

c) Contract Liabilities

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

		2025	2024
Balance, January 1	\$	346	302
Additions from provisioning		79	107
Revenue recognised for services provided		(67)	(74)
Balance, March 31		358	335
Less: Current		(208)	(198)
	\$	150	137

d) Unsatisfied Performance Obligations

The aggregate amount of future revenue allocated to performance obligations that are unsatisfied as of March 31, 2025 was \$25,815 (December 31, 2024 - \$25,030). 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.

4. Network Assets, Property and Equipment

	Network assets	Datacentre infrastructure	Computer equipment	Other¹	Right-of-use Assets	Total
Cost						
Balance January 1, 2025	\$ 137,608	\$ 801	\$ 5,289	\$ 4,037	\$ 42,258	\$ 189,993
Additions	760	14	2	-	-	776
Disposals	-	-	-	-	(3)	(3)
Reclassifications / Adjustments	(4)	4	-	-	140	140
Balance, March 31, 2025	\$ 138,364	\$ 819	\$ 5,291	\$ 4,037	\$ 42,395	\$ 190,906
Accumulated Depreciation						
Balance January 1, 2025	\$ 120,199	\$ 747	\$ 5,250	\$ 4,022	\$ 25,290	\$ 155,508
Depreciation for the period	1,317	13	7	1	984	2,322
Reclassifications / Adjustments	(2)	2	-	-	-	-
Balance, March 31, 2025	\$ 121,514	\$ 762	\$ 5,257	\$ 4,023	\$ 26,274	\$ 157,830
Net Book Value, March 31, 2025	\$ 16,850	\$ 57	\$ 34	\$ 14	\$ 16,121	\$ 33,076

¹Other includes office furniture, equipment and leasehold improvements.

Disposal of network assets, property, and equipment

For the three months ended March 31, 2025, the Company wrote off assets with a net book value of \$9 (cost of \$156 less accumulated depreciation of \$147) which primarily represents replaced assets and obsolete assets disposed of for negligible value. For the three months ended March 31, 2024, the Company wrote off assets with a net book value of \$15 (cost of \$26 less accumulated depreciation of \$11). The Company also periodically reviews network assets, property, and equipment when events or circumstances may indicate the carrying value is no longer realizable. For the three months ended March 31, 2025, the

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

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(Unaudited)

Company recorded a charge of \$72 (2024 - \$48) on network assets, property, equipment and intangible assets. The corresponding loss on disposal is included in depreciation of network assets, property, and equipment.

5. Intangible Assets

Cost	Radio spectrum licenses	Computer Software	Total Intangibles
Balance, January 1, 2025	\$ 12,649	\$ 10,671	\$ 23,320
Additions	-	15	15
Balance, March 31, 2025	\$ 12,649	\$ 10,686	\$ 23,335
Accumulated Amortization			
Balance, January 1, 2025	\$ 2,371	\$ 9,930	\$ 12,301
Amortization for the period	-	20	20
Balance, March 31, 2025	\$ 2,371	\$ 9,949	\$ 12,320
Net Book Value, March 31, 2025	\$ 10,278	\$ 736	\$ 11,014

6. Long-term Debt

	March 31 2025	December 31 2024
Current portion of long-term debt	\$ 25,702	\$ 25,702
Less: financing fees	708	855
	\$ 24,994	\$ 24,847

Term Debt Facility

On September 29, 2022, the Company entered into a three-year credit and guaranty agreement (the "Credit Agreement") with CrowdOut Capital LLC ("CrowdOut") in the amount of U.S. \$20,000. The Credit Agreement is a draw down facility and terms include the following: variable interest rate of SOFR plus 9.00%, serviced with monthly interest payments only for a term of 36 months. At the end of the term, there is an exit fee payable to CrowdOut of up to a maximum of \$1,000 calculated on a pro-rata basis determined by the amount of the facility that has been drawn down under the Credit Agreement at the time of exit.

The Credit Agreement also included a 1% annual rate standby fee for any amounts undrawn on the facility. The standby fee and interest amounts are payable monthly. The Company incurred financing fees in the amount of \$395 to facilitate the execution of the Credit Agreement. At March 31, 2025, the balance due to the lender for the exit fee is \$805, which is based upon the amount drawn down at three months ended March 31, 2025 (2024 - \$806).

In accordance with the Credit Agreement, the Company also issued to CrowdOut 216,463 warrants for the purchase of common shares. Each warrant will be exercisable for the purchase of one common share for

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

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

Three Months Ended March 31, 2025 and 2024

(Unaudited)

a period of up to five years from the date of the Credit Agreement. The warrants vest pro-rata as the facility is drawn down. The strike price for all warrants is \$4.43 (based upon a 20% premium to the 30-day volume weighted average price at the time of closing).

Since the inception of the Credit Agreement through to May 29, 2024, the Company had drawn in aggregate \$18,792 (U.S. \$14,000), resulting in the vesting of 151,496 of the issued warrants to CrowdOut.

On May 29, 2024, the Company and CrowdOut entered into a First Amendment to Credit Agreement (the "First Amending Agreement") which amended certain terms of the previously executed Credit Agreement dated September 29, 2022. The First Amending Agreement served to add Cymbria Corporation ("Cymbria") to the syndicate of lenders under the Credit Agreement and amended certain conditions and covenants of the Credit Agreement. The Company incurred financing fees in the amount of \$274 to facilitate the execution of the First Amending Agreement. The First Amending Agreement gave effect to the following:

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

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

On May 30, 2024, the Company received its first draw down under the First Amending Agreement in the amount of \$2,736 (U.S. \$2,000), resulting in the vesting of 21,640 of the issued warrants to Cymbria. On August 27, 2024, the Company received the second tranche in the amount of \$4,038 (U.S. \$3,000), resulting in the vesting of the remaining 32,460 of the issued warrants to Cymbria.

In accordance with the First Amending Agreement, the Company is subject to the following financial covenants: (i) total debt (including payables more than 120 days past due) not to exceed 160% of the Company's LTM installed monthly recurring revenue from May 31, 2024 to May 31, 2025 and 155% of the

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

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

Three Months Ended March 31, 2025 and 2024

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Company's LTM installed monthly recurring revenue from June 30, 2025 and thereafter; (ii) the Company's cash and cash equivalents and short-term investments (excluding payables more than 60 days past due) to be above \$1,500 at every month end; and (iii) if the Company's cash and cash equivalents balance and short-term investments is below \$2,500, the Fixed-Charge Coverage Ratio must be 1/1x or greater.

This facility including the First Amending Agreement 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-fixed 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 August 27, 2024 was at 14.35%) and the warrants were measured at the residual amount of the compound financial instrument.

During the three months ended March 31, 2025, the Company did not incur any additional transaction and exit fees. 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, 2025, were \$94 and \$369 which are included in finance costs (2024 - \$182 and \$692), respectively.

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

On March 31, 2025, the Company and CrowdOut executed a Second Amendment to the Credit Agreement (the "Second Amending Agreement"), which amended certain terms of the Credit Agreement entered into between the Company and CrowdOut as of September 29, 2022, as amended by the First Amending Agreement dated as of May 29, 2024. The Company incurred financing fees in the amount of \$136 to facilitate the execution of the Second Amending Agreement. The Second Amending Agreement gave effect to the following:

- The Second Amending Agreement serves to increase the amount of the secured debt facility from U.S. \$19,000 to U.S. \$21,000, while maintaining consistency with the initial framework of the Credit Agreement, with the U.S. \$2,000 increase in the secured debt facility funded by Cymbria which was received by the Company on April 3, 2025;
- At the end of the term, additional exit fee payable to CrowdOut of up to a maximum of U.S. \$210 upon the earlier of (a) the maturity date and (b) the date of repayment in full of the debt obligation of under the Credit Agreement; and
- Amending the financial covenant wherein if the cash and cash equivalents balance and short-term investments is below \$1,500, the Fixed-Charge Coverage Ratio must be 1/1x or greater.

The Company will issue an aggregate of 800,000 new warrants to Cymbria in the second quarter of 2025, in connection with the Second Amending Agreement, in four tranches of 200,000 warrants each, with exercise prices of \$2.50, \$2.00, \$1.50 and \$1.06, respectively. Each warrant is exercisable for the purchase of one common share for a period of up to three years from the date of the Second Amending Agreement.

The Second Amending Agreement will be accounted for in the second quarter of 2025 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

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

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fixed-for-fixed criteria. The Company is in compliance with all of the terms and conditions including the financial covenants as amended by the Second Amending Agreement as at March 31, 2025.

7. Leases

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

a) Right-of-use Asset

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

b) Lease Liabilities

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

		March 31	March 31
		2025	2024
Lease liabilities, beginning of year	\$	18,681	15,063
Additions		-	104
Terminations		(3)	(78)
Interest on lease liabilities		640	451
Modifications		140	3,063
Lease payments		(1,434)	(1,463)
Lease liabilities, March 31		18,023	17,140
Less: current portion		(5,451)	(5,293)
	\$	12,572	11,847

8. Other Long-Term Liabilities

		March 31	December 31
		2025	2024
Debt financing - Exit Fee, current (Note 6)	\$	805	\$ 806
	\$	805	\$ 806

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

Three Months Ended March 31, 2025 and 2024

(Unaudited)

9. Stock-Based Compensation

At March 31, 2025, the Company had the following stock-based payment arrangements:

(a) Stock Options

For the three months ended March 31, 2025 and March 31, 2024, the Company recorded stock-based compensation expense related to stock options of \$197 and \$134 respectively.

A summary of the change in the Company's stock option plan as at March 31, 2025 is presented below.

	2025		2024	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - January 1	1,587	\$2.22	937	\$4.85
Granted	447	\$1.00	-	-
Forfeited / Expired	-	-	(5)	\$6.06
Outstanding - March 31	2,034	\$1.95	932	\$2.52
Exercisable	360	\$2.75	107	\$4.30

As at March 31, 2025, 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
\$1.00 - \$2.11	1,849	7.64	\$1.86	221	\$1.86
\$2.12 - \$5.44	185	7.17	\$4.18	139	\$4.17
	2,034	7.55	\$1.95	360	\$2.75

(b) Restricted Share Units (RSUs)

For the three months ended March 31, 2025 and March 31, 2024, the Company granted nil RSUs. For the three months ended March 31, 2025 and March 31, 2024, the Company recorded compensation expense of nil and \$5, respectively. In 2024, all RSUs were fully vested and settled in a combination of cash and equity with the Company paying \$10 in cash and issuing 6,904 Common Shares and 3,696 Common Shares deducted for payment of withholding tax in connection with the settlement.

(c) Performance Based Share Units (PSUs)

For the three months ended March 31, 2025 and March 31, 2024, the Company granted nil PSUs. For the three months ended March 31, 2025 and March 31, 2024, the Company recorded nil compensation expense for both periods. In the third quarter of 2024, all of the issued PSUs aggregating to 16,956 were settled in Common Shares.

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

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

Three Months Ended March 31, 2025 and 2024

(Unaudited)

(d) Stock-Based Compensation Summary

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

		Three months ended March 31	
		2025	2024
Restricted share units	\$	-	5
Stock options		197	134
Directors' fees paid in shares		32	44
	\$	<u>228</u>	<u>183</u>

10. Loss Per Share

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

		Three months ended March 31	
		2025	2024
Numerator:			
Net loss for the period	\$	(3,536)	\$ (3,547)
Denominator:			
Weighted average number of common shares (in thousands):			
Basic and diluted		<u>20,003</u>	<u>19,858</u>
Loss per share:			
Basic and diluted	\$	(0.18)	\$ (0.18)

During the three months ended March 31, 2025, there were nil (2024 - nil) weighted average outstanding stock options, RSUs and PSUs excluded from the computation of diluted loss per share as their effect would have been anti-dilutive.

11. Financial instruments**a) Classification and fair values of financial instruments**

The fair values of cash and cash equivalents, cash held on behalf of third party and short-term investments are based on quoted market values. The fair values of short-term financial assets and liabilities, including accounts receivable and accounts payable and accrued liabilities, as presented in the interim 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.

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

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

Three Months Ended March 31, 2025 and 2024

(Unaudited)

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.

	<u>Carrying Amount</u>		<u>Fair Value (Level 2)</u>	
	<u>March 31 2025</u>	<u>December 31 2024</u>	<u>March 31 2025</u>	<u>December 31 2024</u>
Financial Assets				
Cash and cash equivalents	\$ 1,865	\$ 4,186	\$ 1,865	\$ 4,186
Short term investments	226	234	226	234
Accounts receivable	1,834	1,905	1,834	1,905
Financial Liabilities				
Accounts payable and accrued liabilities	\$ 4,520	\$ 4,161	\$ 4,520	\$ 4,161
Current portion of long-term debt (Note 6)	24,994	24,847	24,994	24,847
Lease liabilities	18,023	18,681	18,023	18,681

b) Credit risk

The Company's credit risk exposure and management strategies are discussed in the notes to the 2024 Consolidated Financial Statements. During the three months ended March 31, 2025, the movement in the credit loss allowance in respect of trade receivables was as follows:

	<u>2025</u>
Opening	\$ 202
Amounts written off	0
Remeasurement of loss allowance	(5)
Ending	\$ 197

c) Liquidity Risk

The Company's liquidity risk exposure and management strategies are discussed in the notes to the 2024 Consolidated Financial Statements. As of March 31, 2025, the Company had cash and cash equivalents and short-term investments of \$2,091. The short-term investments are pledged as security against a credit facility. The Company has a history of operating losses and can be expected to generate continued operating losses and negative cash flows in the foreseeable future while it carries out its current business plan (note 2(a)). As at March 31, 2025, the Company is in compliance with all facility covenants.

	<u>Less than 1 year</u>
Current portion of long-term debt	\$ 25,702
Current portion of other long-term liabilities (exit fee)	805
Accounts payable and accrued liabilities	4,520
Total	\$ 31,027

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

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

Three Months Ended March 31, 2025 and 2024

(Unaudited)

d) Interest Rate Risk

As a result of the Company's debt facility with CrowdOut Capital (see Note 6), The Company is exposed to changes in interest rates on its cash and cash equivalents and its credit facility with CrowdOut (note 10). As at March 31, 2025, the credit facility with CrowdOut bore interest at a rate equal to adjusted SOFR plus 9.0%, subject to a minimum SOFR floor of 5%. A 1% increase in interest rate would have increased annual interest by \$72. This analysis assumes that all other variables remain constant.

e) Currency Risk

The Company transacts business in multiple currencies, the most significant of which is the U.S. Dollar. Currently, the Company does not enter into foreign exchange contracts to manage this exposure but may do so in the future. The Company has foreign currency exposure with respect to cash and cash equivalents, accounts receivable, accounts payable and the credit facility with CrowdOut Capital LLC. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in U.S. dollars.

Balances denominated in foreign currencies that are considered financial instruments are as follows:

	Currency	March 31 2025	March 31 2024
Cash and cash equivalents	U.S. dollar \$	\$ 849	\$ 259
Accounts payable and accrued liabilities	U.S. dollar	458	284
Term debt facility	U.S. dollar	19,000	13,450

If a shift in foreign currency exchange rates of 1% were to occur, the foreign exchange gain or loss could change by approximately \$268 due to the fluctuation and this would be recorded in the condensed interim statements of comprehensive loss.

12. Segment Reporting

The Company has determined that it operates as a single reportable operating segment providing connectivity services including fixed wireless access and fiber and cable wireline network connectivity for purposes of making operating decisions. The Company's Chief Executive Officer, the chief operating decision maker, evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the segmented reporting in these consolidated financial statements. All of the Company's assets are located in Canada.