

Consolidated Financial Statements
(Expressed in Canadian dollars)

TERAGO INC.

And Independent Auditor's Report thereon

Years ended December 31, 2025 and 2024



Independent Auditor's Report

To the Shareholders of Terago Inc.

Opinion

We have audited the consolidated financial statements of Terago Inc. and its subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of Indefinite-life intangible assets and goodwill

Description of the key audit matter

We draw attention to Notes 2(e)(iii), 2(e)(iv), 3(f) and 7 in the consolidated financial statements.

The Group has goodwill of \$861 thousand and indefinite-life intangible assets related to its spectrum licenses of \$10,278 thousand at December 31, 2025. The carrying amount of goodwill and indefinite life intangible assets are required to be tested annually for impairment or, more frequently, when a triggering event for impairment is identified.

The Group determined that there was a single Cash Generating Unit ("CGU") comprising all the assets to operate the connectivity businesses, including the radio spectrum licenses. The Group measured the recoverable amount of the CGU by valuing the Group's future operations by performing a discounted cash flow on estimated future cash flows and spectrum holdings by measuring the fair value less costs to sell. The Group determined the fair value less cost to sell of spectrum holdings on the analyst report, comparable spectrum auctions and other data. Based on the impairment tests performed by management, the recoverable amount of the CGU was determined to be higher than



the carrying amount, and as a result no impairment loss was recognized. For these impairment tests, significant assumptions used by management in the valuation model include those to derive the cash flow forecasts, discount rate and terminal growth rate.

We considered this a key audit matter due to the estimates and judgments involved in determining the recoverable amount, including the determination of key assumptions. This has resulted in a higher degree of judgment and audit effort in performing procedures to audit the impairment assessment and key assumptions.

How the key audit matter was addressed in the audit

Our audit approach included the following audit procedures, among others:

- Understood management's process to perform the impairment analysis and evaluated the design and implementation of the related key controls.
- Evaluated the appropriateness of the valuation techniques used by management to estimate the intangible assets' recoverable amount.
- Assessed management's key assumptions regarding items such as revenue growth forecasts, discount rate and terminal growth rate.
- Assessed the fair value less costs to sell of the Group's spectrum licenses by comparing the carrying value to relevant spectrum market data.
- Reviewed the consolidated financial statements disclosures related to the significant estimates, key assumptions and outcomes of the impairment testing.
- Involved our internal valuation specialists to assess management's assumptions and assist in performing additional sensitivity and stress tests on the valuation model.

Other Matter - Comparative Information

The consolidated financial statements for the year ended December 31, 2024 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on March 26, 2025.

Other Information

Management is responsible for the other information. The other information comprises the information, included in the Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2025.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis of Financial Condition and Results of Operations prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jamie Barron.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Oakville, Ontario
March 27, 2026

TERAGO INC.

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

December 31, 2025 and 2024

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents (note 5)	\$ 12,648	\$ 4,186
Short-term investments (note 5)	–	234
Accounts receivable, net (note 5)	1,432	1,905
Prepaid expenses and other assets	839	695
Current portion of contract costs (note 4)	222	160
Total current assets	15,141	7,180
Non-current assets:		
Network assets, property and equipment (note 6)	31,579	34,485
Intangible assets (note 7)	10,983	11,020
Goodwill (note 7)	861	861
Contract costs (note 4)	404	441
Total non-current assets	43,827	46,807
Total assets	\$ 58,968	\$ 53,987
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 4,317	\$ 4,161
Current portion of contract liabilities (note 4)	201	196
Current portion of long-term debt (note 10)	–	24,847
Current portion of lease liabilities (note 11)	5,234	5,577
Current portion of other long-term liabilities (note 12)	–	806
Total current liabilities	9,752	35,587
Non-current liabilities:		
Decommissioning and restoration obligations (note 9)	265	226
Contract liabilities (note 4)	164	150
Long-term debt (note 10)	28,932	–
Lease liabilities (note 11)	14,253	13,104
Total non-current liabilities	43,614	13,480
Total liabilities	53,366	49,067
Shareholders' equity:		
Share capital (note 15)	133,983	118,596
Warrant reserve	1,964	570
Contributed surplus	29,167	28,501
Deficit	(159,512)	(142,747)
Total shareholders' equity	5,602	4,920
Total liabilities and shareholders' equity	\$ 58,968	\$ 53,987

Commitments and contingencies (note 13)
Stock-based compensation (note 16(a))

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed) Ken Campbell
Director

(signed) Pietro Cordova
Director

TERAGO INC.

Consolidated Statements of Comprehensive Loss
(Expressed in thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2025 and 2024

	2025	2024
Revenue from operations (note 4)	\$ 25,356	\$ 26,165
Expenses:		
Cost of services	6,679	6,981
Salaries and related costs	11,226	11,713
Other operating expenses	5,055	5,019
Amortization of intangible assets (note 7)	81	49
Depreciation of network assets, property and equipment (note 6)	9,190	9,556
	<u>32,231</u>	<u>33,318</u>
Loss from operations	(6,875)	(7,153)
Loss from sale of assets (note 6)	(341)	–
Loss on debt extinguishment (note 10)	(972)	–
Foreign exchange gain (loss)	(25)	180
Finance costs	(8,644)	(6,459)
Finance income	92	161
	<u>(9,890)</u>	<u>(6,118)</u>
Loss before income taxes	(16,765)	(13,271)
Income taxes (note 14)	–	–
Loss for the year and comprehensive loss	<u>\$ (16,765)</u>	<u>\$ (13,271)</u>
Loss per share (note 17):		
Basic and diluted	\$ (0.47)	\$ (0.67)
Weighted average number of common shares outstanding, in thousands (note 17):		
Basic and diluted	35,916	19,915

See accompanying notes to consolidated financial statements.

TERAGO INC.

Consolidated Statements of Changes in Equity

(Expressed in thousands of Canadian dollars and thousands of common shares)

Years ended December 31, 2025 and 2024

2025	Share capital		Contributed surplus	Warrant reserve	Deficit	Total
	Number	Amount				
Balance, January 1, 2025	20,002	\$ 118,596	\$ 28,501	\$ 570	\$ (142,747)	\$ 4,920
Loss for the year	–	–	–	–	(16,765)	(16,765)
Stock-based compensation	–	–	666	–	–	666
Issuance of common shares directors' fees	89	83	–	–	–	83
Issuance of common shares as part of rights offering and private placement	18,925	15,897	–	–	–	15,897
Financing costs incurred as part of rights offering and private placement	–	(593)	–	–	–	(593)
Issuance of warrants	–	–	–	1,394	–	1,394
Balance, December 31, 2025	39,016	\$ 133,983	\$ 29,167	\$ 1,964	\$ (159,512)	\$ 5,602

2024	Share capital		Contributed surplus	Warrant reserve	Deficit	Total
	Number	Amount				
Balance, January 1, 2024	19,853	\$ 118,335	\$ 27,655	\$ 819	\$ (129,476)	\$ 17,333
Loss for the year	–	–	–	–	(13,271)	(13,271)
Issuance of common shares for RSUs/PSUs exercised	24	30	(30)	–	–	–
Shares deducted for payment of withholding tax	(4)	–	(8)	–	–	(8)
Issuance of shares for directors' fees	129	231	–	–	–	231
Stock-based compensation	–	–	622	–	–	622
Issuance of warrants	–	–	–	13	–	13
Expiration of warrants	–	–	262	(262)	–	–
Balance, December 31, 2024	20,002	\$ 118,596	\$ 28,501	\$ 570	\$ (142,747)	\$ 4,920

See accompanying notes to consolidated financial statements.

TERAGO INC.

Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian dollars)

Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from (used in) operating activities:		
Loss for the year	\$ (16,765)	\$ (13,271)
Adjustments for:		
Severance, acquisition, and other costs	645	701
Depreciation of network assets, property and equipment (note 6)	9,190	9,556
Amortization of intangible assets (note 7)	81	49
Loss from sale of assets	341	–
Stock-based compensation expense (note 16)	749	863
Finance costs	8,644	6,459
Finance income	(92)	(161)
Severance, acquisition, and other costs paid	(645)	(944)
Loss on debt extinguishment (note 10)	972	–
Foreign exchange (loss) gain	25	(180)
Change in non-cash operating working capital:		
Accounts receivable	(364)	238
Prepaid expenses and other assets	(144)	297
Accounts payable and accrued liabilities	254	1,362
Contract liabilities	19	44
Contract costs	(25)	2
Net cash flows from operating activities	2,885	5,015
Cash flows from (used in) financing activities:		
Proceeds from issuance of warrants	–	13
Proceeds from rights and private placement	15,304	–
Proceeds from debt borrowings	33,335	7,976
Long-term debt and interest paid	(4,190)	(4,216)
Financing costs incurred	–	133
Payments of lease liabilities	(5,791)	(5,801)
Repayment of debt borrowings	(30,571)	–
Net cash flows from (used in) financing activities	8,087	(1,895)
Cash flows from (used in) investing activities:		
Purchase of network assets, property, and equipment (note 6)	(3,850)	(3,325)
Purchase of intangible assets	(44)	(206)
Proceeds from sale of assets	1,351	–
Sale of short-term investments	234	9
Change in non-cash working capital related to network assets, property and equipment and intangible assets	(268)	5
Net cash flows (used in) investing activities	(2,577)	(3,517)
Increase in cash and cash equivalents	8,395	(397)
Cash and cash equivalents, beginning of year	4,186	4,403
Change in cash due to foreign exchange	67	180
Cash and cash equivalents, end of year	\$ 12,648	\$ 4,186

See accompanying notes to consolidated financial statements.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

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 Company owns and operates a carrier-grade, fixed wireless, 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) Statement of compliance:

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements for the fiscal year ended December 31, 2025 were authorized for issue by the Board of Directors ("Board") on March 27, 2026.

(b) Basis of consolidation:

The consolidated financial statements include the accounts of TERAGO Inc. and its wholly owned subsidiaries TERAGO Networks Inc. and TERAGO Networks (U.S.) Inc. (collectively, the "Company"). A subsidiary is an entity that is controlled by another entity, known as the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions between subsidiaries are eliminated on consolidation.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

2. Basis of preparation (continued):

(c) Basis of measurement:

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the consolidated statements of financial position:

- financial instruments at fair value through profit or loss ("FVTPL") are measured at fair value through net income or loss.

Presentation of the consolidated statements of financial position differentiates between current and non-current assets and liabilities. The consolidated statements of comprehensive loss are presented using the nature classification for expenses.

(d) Functional and presentation currency:

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

(e) Use of estimates and judgments:

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Judgments, estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Key areas of estimation and information about critical judgments in applying accounting policies that have the most significant effect on amounts recognized in the consolidated financial statements are:

(i) Estimates of useful lives of network assets, property and equipment and intangible assets:

Management's estimates involve consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets, to determine depreciation methods, and the asset's residual value.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

2. Basis of preparation (continued):

(ii) Capitalization of costs:

Judgments and estimates are used in assessing the direct labour and other costs capitalized to network assets, property and equipment.

(ii) Cash generating units:

Judgment is required to assess the Company's determination of cash generating units for the purpose of impairment testing. The Company has determined there is only a single cash generating unit.

(iii) Impairment of goodwill:

Assessment of impairment is based on management's judgment of whether there are sufficient internal and external factors that would indicate that an asset or cash generating unit ("CGU") holding goodwill is impaired. The determination of a CGU is also based on management's judgment and is an assessment of the smallest group of assets that generate cash inflows independently of other assets. Factors considered include whether an active market exists for the output produced by the asset or group of assets, as well as how management monitors and makes decisions about the Company's operations.

(iv) Impairment of non-financial assets:

The process to calculate the recoverable amount of the Company's CGU requires use of valuation methods such as the discounted cash flow method which uses significant assumptions including expected future revenue, operating margins, capital investment, discount rate and terminal growth rate. The Company also applied judgment on the use of available market data to estimate the recoverable amount of its spectrum holdings.

(v) Valuation allowance on trade receivables:

In developing the estimates for an allowance against existing receivables, the Company considers general and industry economic and market conditions as well as credit information available for the customer and the aging of the account. Changes in the carrying amount due to changes in economic and market conditions could significantly affect the loss for the year. The Company applies the IFRS 9, Financial Instruments ("IFRS 9") model to record valuation allowances on trade receivables.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

2. Basis of preparation (continued):

(vi) Stock-based compensation:

Estimating fair value for stock-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. In valuing stock options and warrants, the Company uses the Black-Scholes option pricing model. Several assumptions are used in the underlying calculation of fair values of the Company's stock options using the Black-Scholes option pricing model including the expected life of the option (or warrant), risk-free interest rate and volatility of the underlying stock.

(vii) Provisions:

The measurement of provisions requires management to make estimates based on the best information available at the reporting date. As additional information becomes available, the Company will reassess the potential liability and, if necessary, revise the provision amounts, using management's best estimate at that reporting date.

Management's judgment is required to assess the likelihood of an outflow of the economic benefits to settle contingencies, such as litigations or decommissioning and restoration obligations, which may require a liability to be recognized.

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(viii) Revenue from contracts with customers:

The enforceable term of contracts requires estimating average contract terms based on available historical data. Significant judgments are also made in determining whether the promises to deliver certain services are considered distinct and represent separate performance obligations. In addition, evaluating whether costs incurred to obtain a contract are incremental and expected to be recoverable requires judgment based on conditions of each individual contract.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

2. Basis of preparation (continued):

(ix) Leases:

Judgment is required to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Company is reasonably certain to exercise such options will impact the lease term. The rate at which these leases will be renewed requires estimation as most are negotiated at the time of renewal. In addition, as most of the Company's leases do not have embedded financing rates, judgment is required to arrive at discount rates that reflect the risk associated with each individual lease. The impact of these assumptions significantly impacts the amount of lease liabilities and right-of-use assets recognized.

(x) Warrants:

Estimating fair value for warrants requires determining the most appropriate valuation model for an issuance, which is dependent on the terms and conditions of the issuance. In valuing warrants, the Company uses the Black-Scholes option pricing model. Several assumptions are used in the underlying calculation of fair values of the Company's warrants using the Black-Scholes option pricing model including the risk-free interest rate and volatility of the underlying stock.

The warrants related to the debt facility are exchangeable for a fixed number of Company's common shares and are classified as equity. The liability is measured at its fair value using the forward curve rate and the warrants are measured at the residual amount of the compound financial instrument.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies:

The accounting policies set out below have been applied consistently to all years presented in the consolidated financial statements, unless otherwise indicated:

(a) Revenue recognition:

The Company earns revenue by providing connectivity services.

Revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. Revenue is recognized as the related services are provided to customers. The Company applies the five step IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), model in determining the appropriate treatment of its various sources of revenue. The principal sources of revenue to the Company and recognition of this revenue are as follows:

- Monthly recurring revenue ("MRR") from connectivity services is recognized as service revenue rateably over the enforceable term of individual contracts which is typically the stated term. The Company satisfies its performance obligation as these services are made available over time. The Company believes this method to be the best representation of transfer of services as it is consistent with industry practice to measure satisfaction through passage of time. In addition, many of the Company's contractual terms are consistent with a monthly passage of time model as services are provided;
- Transaction price is determined as the list price of services (net of discounts) that the Company promises to deliver to its customers, taking into account the term of each individual contract, and the ability to enforce and collect the consideration;
- Revenue from installation services (which are non-recurring), which are not treated as distinct performance obligations, are recognized over the enforceable term of individual contracts consistent with the schedule of MRR discussed above; and

(ii) Service credits:

The Company has obligations for credits under its contracts with customers when certain criteria are met. Credits are measured at agreed upon contractual rates and are recognized net of revenue and presented in total revenue on the consolidated statements of comprehensive loss.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(iii) Contract costs:

IFRS 15 requires certain contract acquisition costs to be recognized as an asset and amortized into income over the term of the customer contract (typically three years). The Company typically incurs internal or external sales commissions to obtain contracts with customers. The Company capitalizes these commission fees as costs of obtaining a contract when they are incremental and expected to be recovered. These costs are amortized consistently with the pattern of revenue for the related contracts and are recorded in salaries and related costs on the consolidated statements of comprehensive loss.

Contract costs are presented separately as an asset on the consolidated statements of financial position. The Company has opted not to use practical expedients under IFRS 15 and as a result, the current portion of contract costs are presented in current assets. The current portion represent amounts expected to be amortized in the next 12 months.

(iv) Contract liabilities:

Contract liabilities arise primarily as a result of payment received in advance of providing services to a customer; for example, when a customer pays for a service up-front on a multi-year contract. These payments are presented as contract liabilities with current and long-term amounts presented separately on the consolidated statements of financial position. The current portion represents the performance obligation to be satisfied and recognized as revenue in the next 12 months.

(b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and highly liquid instruments with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value and are used by the Company in its management of its short-term commitments.

(c) Financial instruments:

The Company initially measures financial instruments at fair value. Transaction costs that are directly attributable to the issuance of financial assets or liabilities are accounted for as part of the carrying value at inception (except for transaction costs related to financial instruments recorded as FVTPL financial assets which are expensed as incurred) and are recognized over the term of the assets or liabilities using the effective interest method.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

The classification and methods of measurement subsequent to initial recognition of the Company's financial assets and financial liabilities are as follows:

Financial instruments	Classification and measurement method
Financial assets:	
Cash and cash equivalents	Fair value
Short-term investments	Fair value
Accounts receivable	Amortized cost
Financial liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Long-term debt	Amortized cost
Decommissioning and restoration obligations	Amortized cost
Lease liabilities	Amortized cost

Impairment of financial assets:

The Company's financial assets measured at amortized cost are further discussed in note 19.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are expected credit losses ("ECLs") that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances for trade receivables and any contract assets at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information (i.e. economic indicators).

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

Loss allowances on financial assets measured at amortized cost are deducted from the gross carrying amount of the asset and the related impairment loss is recorded separately on the consolidated statements of comprehensive loss. The Company subsequently writes off financial assets where it is not economical to pursue recovery and when all reasonable legal avenues of pursuit for material assets have been exhausted.

(d) Long-term debt:

Long-term debt instruments issued by the Company may include warrants or other equity instruments and are accounted for as compound financial instruments where the instruments contain both a financial liability and an equity component.

At initial recognition, the liability component is measured at its fair value, determined using the market rate of interest for a similar instrument without the associated equity component. The equity component, representing the warrants issued, is measured as the residual amount after deducting the fair value of the liability component from the gross proceeds of the financing and is recorded in warrant reserve within shareholders' equity.

Transaction costs directly attributable to the issuance of the debt are deducted from the carrying amount of the liability and amortized over the term of the instrument using the effective interest method.

Subsequent to initial recognition, long-term debt is measured at amortized cost using the effective interest method. Interest expense recognized in the consolidated statements of comprehensive loss includes cash interest, the amortization of deferred financing costs and, where applicable, payment-in-kind ("PIK") interest, which is accreted to the carrying amount of the liability.

Certain debt instruments may contain embedded derivative components, which are assessed in accordance with IFRS 9 Financial Instruments to determine whether they require separation from the host contract.

The Company evaluates amendments to existing debt arrangements to determine whether the modification results in the derecognition of the original financial liability and recognition of a new liability in accordance with IFRS 9. Where a financial liability is extinguished or substantially modified, the difference between the carrying amount of the liability and the consideration paid is recognized as a gain or loss on extinguishment of debt in the consolidated statements of comprehensive loss.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(e) Network assets, property and equipment:

Network assets, property and equipment are recorded at cost less accumulated depreciation and impairment charges, if any. These costs include expenditures directly attributable to the acquisition of the asset. The cost of self-constructed network assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended purpose. This includes direct costs to design, acquire and build the asset and include directly attributable internally and externally generated engineering and construction costs and equipment on hand. They also include the cost of dismantling and removing items and restoring the site on which they are located and specifically attributable borrowing costs on qualifying assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be reliably measured. All other expenditures are charged to operating expenses as incurred.

When major components of an item of network assets, property and equipment have different useful lives, they are accounted for as separate items. Depreciation of network assets, property and equipment is based on the estimated useful life of the assets as follows:

Asset	Basis	Rate
Network assets	Straight line	3 to 25 years
Computer equipment	Straight line	3 years
Office furniture and equipment	Straight line	5 years
Leasehold improvements		Over the term of lease

Depreciation methods, useful lives and residual values are reviewed at least annually. Adjustments, if necessary, are recognized prospectively.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(f) Intangible assets and goodwill:

Intangible assets include the following:

(i) Radio spectrum licenses:

Radio spectrum licenses are classified as indefinite life intangible assets and are not amortized but are tested for impairment on an annual basis. It is difficult to determine the period over which these assets are expected to generate future net cash inflows to the Company, and it is common industry practice for telecommunications companies to treat these licenses as indefinite life.

(ii) Computer software:

Computer software is recorded at cost less accumulated amortization and amortized on a straight-line basis over 10 years or where there is a term license for the software, over the shorter of the term of the license or the useful life of the software.

(iii) Goodwill:

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets and liabilities acquired. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination.

(g) Impairment of non-financial assets:

The Company performs impairment testing of its non-financial assets annually, or more frequently if events or circumstances indicate the carrying value of the Company's single cash generating unit might exceed its recoverable amount. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of (i) the net present value of the expected future cash flows (value-in-use) and (ii) the fair value less cost to sell. If the recoverable amount is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is charged to operations in the year in which the impairment is identified. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units" or "CGUs").

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

The carrying values of identifiable intangible assets with indefinite lives and goodwill are tested at minimum annually for impairment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose.

The carrying values of non-financial assets with finite useful lives, such as network assets, property and equipment and intangible and other assets subject to amortization, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

(h) Leases:

In accordance with IFRS 16, Leases ("IFRS 16"), at inception of a contract, the Company assesses whether a contract is, or contains, a lease, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company may enter into sale and leaseback transactions. The Company assesses whether the transfer of an asset qualifies as a sale in accordance with IFRS 15. Where the transfer qualifies as a sale, the Company derecognizes the underlying asset and recognizes a right-of-use asset and a corresponding lease liability for the leaseback. The right-of-use asset is measured at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the Company. Any gain or loss arising on the transaction is recognized only to the extent that it relates to the rights transferred to the buyer-lessor.

If the transfer does not qualify as a sale, the Company continues to recognize the transferred asset and recognizes a financial liability equal to the proceeds received.

(i) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the impact is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

Decommissioning and restoration obligations:

In the course of the Company's operations, network and other assets are utilized on leased premises. Often costs are expected to be incurred associated with decommissioning these assets and restoring the location where these assets are situated upon ceasing their use on those premises.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

These decommissioning and restoration provisions are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Assumptions related to the amount and timing of cash flows required to satisfy the Company's future legal obligations include labour costs based on current marketplace wages and the rate of inflation over expected years to settlement; the length of facility lease renewal periods and probability of such renewals; and the appropriate discount rate to present value the future cash flows. Forecasts of estimated future provisions are reviewed periodically in light of future changes in business conditions or technological requirements.

The Company records these decommissioning and restoration costs as network assets, property and equipment, and subsequently allocates them to expense using a systematic and rational method over the asset's useful life. The Company records the accretion of the liability (unwinding of the discount) as a charge to finance costs.

(j) Employee benefits:

(i) Termination benefits:

Termination benefits are recognized as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Termination benefits for voluntary redundancies are recognized as an expense if the Company has made an offer of voluntary redundancy; it is probable that the offer will be accepted and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then the liability is discounted to their present value.

(ii) Short-term employee benefits:

Short-term benefit obligations are measured on an undiscounted basis and are recognized as the related service is provided.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(k) Foreign currency translation:

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue, and expense are translated into Canadian dollars using the exchange rate in effect at that date.

At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date.

The resulting foreign exchange gains and losses are included in loss for the year and comprehensive loss in the current year.

(l) Finance income and finance costs:

Finance income comprises interest income on funds invested and changes in fair value of financial assets at FVTPL.

Finance costs comprise interest expense on borrowings, accretion of discounts on provisions, accretion of lease liabilities, and changes in fair value of financial assets at FVTPL. Borrowing costs that are not directly attributable are recognized in loss for the year.

(m) Income taxes:

Income taxes comprise current and deferred income taxes. Income taxes are recognized in loss except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is generally recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax assets and liabilities are measured, on an undiscounted basis, at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

Deferred income tax assets and liabilities are recognized where the carrying amount of an asset or liability in the consolidated statements of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries, branches and associates, and interests in joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognized to the extent it is probable that it will be realized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable the related tax benefit will be realized.

In determining the amount of current and deferred taxes, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its tax liabilities for uncertain tax positions are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(n) Stock-based compensation plans:

The Company has equity-settled stock-based compensation plans.

The grant date fair values of equity-settled stock-based payment awards to employees and directors are recognized as compensation cost, with a corresponding increase to equity, over the vesting period of the award. The Company accounts for the effects of service and non-market performance conditions in measuring the fair value of the equity instruments by adjusting the number of rights to receive awards that are expected to satisfy any service and non-market performance conditions on a best estimate basis.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

Awards with graded vesting are valued and recognized as compensation cost based on the respective vesting tranche. The amount of compensation cost recognized is adjusted to reflect the number of awards expected to vest based on continued employment vesting conditions, such that the amount ultimately recognized as compensation cost is based on the number of awards that vest. When employment is terminated, or options are forfeited there is no further expensing of the unvested options. Any expense previously recognized for unvested options will reverse at the time of option forfeiture.

The employee share purchase plan allows employees to voluntarily participate in a share purchase plan. Under the terms of the plan, employees can contribute a specified percentage of their regular earnings through payroll deductions and the Company makes a contribution match which is recorded as compensation expense.

(o) Loss per share:

Basic loss per share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed by adjusting the net loss attributable to common shareholders for the year and the weighted average number of common shares outstanding for the year for the effects of all potentially dilutive common shares including shares subject to the exercise of stock options, where dilutive. The Company uses the treasury stock method for calculating diluted loss per share.

(p) Government grants:

Government grants are recognized when management has reasonable assurance that the entity will comply with the conditions attached to the grant and the grant will be received. Government grants recognized are accounted for as a reduction in the expense which they are intended to compensate. The Company does not currently have any government grants.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(q) Recently adopted accounting pronouncements:

The material accounting policies set out in the consolidated financial statements have been applied consistently to all years presented, unless otherwise indicated.

Effective January 1, 2025, the Company adopted the following new standards and amendments to IFRS Accounting Standards (“IAS”):

(i) The Effects of Changes in Foreign Exchange Rates (Amendments to IAS 21):

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 material impact on these consolidated financial statements.

(r) Recent accounting pronouncements:

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2025, that have not been applied in preparing these consolidated financial statements. In particular, the following relevant new and amended standards and interpretations are required to be implemented for financial years beginning on or after January 1, 2026, unless otherwise noted:

(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.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

3. Material accounting policies (continued):

(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 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.

4. Revenue:

The Company's operations, main sources of revenue, and methods for recognition are those described in note 2. The Company's revenue is primarily derived from connectivity revenue contracts with customers.

(a) Disaggregation of revenue:

In the following table, the Company's disaggregates revenue into one primary category that depicts the nature of its revenue streams:

	2025	2024
Connectivity revenue	\$ 25,356	\$ 26,165

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

4. Revenue (continued):

(b) Contract costs:

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

	2025	2024
Balance, beginning of year	\$ 601	\$ 603
Incremental costs capitalized	233	290
Amortization	(208)	(292)
Balance, end of year	626	601
Less current portion	(222)	(160)
	\$ 404	\$ 441

(c) Contract liabilities:

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

	2025	2024
Balance, beginning of year	\$ 346	\$ 302
Additions from provisioning	385	355
Revenue recognized for services provided	(366)	(311)
Balance, end of year	365	346
Less current portion	(201)	(196)
	\$ 164	\$ 150

(d) Unsatisfied performance obligations:

The aggregate amount of revenue allocated to performance obligations that are unsatisfied as of December 31, 2025, was \$22,851 (2024 - \$25,030). 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 three years which represents the average contractual term prior to renewals. This amount excludes obligations owing for month-to-month contracts as the unsatisfied term is calculated monthly.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

5. Current assets:

Details of selected current asset balances are as follows:

(a) Cash and cash equivalents and short-term investments:

	2025	2024
Cash and cash equivalents:		
Bank balances	\$ 12,648	\$ 4,186
Short-term investments:		
Bank-deposit notes	\$ –	\$ 234

(b) Accounts receivable:

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

	2025	2024
Trade receivables	\$ 2,013	\$ 2,015
Allowance for doubtful accounts	(381)	(202)
Other receivables	(200)	92
	\$ 1,432	\$ 1,905

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

6. Network assets, property and equipment:

2025	Network assets	Datacentre infrastructure	Computer equipment	Other ¹	Right-of-use assets	Total
Cost						
Balance, January 1, 2025	\$ 137,608	\$ 801	\$ 5,289	\$ 4,037	\$ 42,258	\$ 189,993
Sale of assets	(139)	–	–	–	–	(139)
Additions	3,783	65	2	–	154	4,004
Disposals	–	–	–	–	(355)	(355)
Reclassifications/modifications	(8)	8	–	–	2,636	2,636
Balance, December 31, 2025	\$ 141,244	\$ 874	\$ 5,291	\$ 4,037	\$ 44,693	\$ 196,139
Accumulated depreciation						
Balance, January 1, 2025	\$ 120,199	\$ 747	\$ 5,250	\$ 4,022	\$ 25,290	\$ 155,508
Sale of Assets	(139)	–	–	–	–	(139)
Depreciation for the year	5,219	44	25	5	3,899	9,191
Disposals	–	–	–	–	–	–
Reclassifications/modifications	(3)	3	–	–	–	–
Balance, December 31, 2025	\$ 125,276	\$ 794	\$ 5,275	\$ 4,027	\$ 29,189	\$ 164,560
Net book value						
December 31, 2025	\$ 15,968	\$ 80	\$ 16	\$ 10	\$ 15,504	\$ 31,579

¹Other includes office furniture, equipment and leasehold improvements.

2024	Network assets	Datacentre infrastructure	Computer equipment	Other ⁽¹⁾	Right-of-use assets	Total
Cost						
Balance, January 1, 2024	\$ 134,336	\$ 760	\$ 5,283	\$ 4,031	\$ 35,099	\$ 179,509
Additions	3,308	5	6	6	104	3,429
Disposals	–	–	–	–	(96)	(96)
Reclassifications/modifications	(36)	36	–	–	7,151	7,151
Balance, December 31, 2024	\$ 137,608	\$ 801	\$ 5,289	\$ 4,037	\$ 42,258	\$ 189,993
Accumulated depreciation						
Balance, January 1, 2024	\$ 114,935	\$ 678	\$ 5,200	\$ 4,017	\$ 21,130	\$ 145,960
Depreciation for the year	5,278	55	50	5	4,168	9,556
Disposals	–	–	–	–	(8)	(8)
Reclassifications/modifications	(14)	14	–	–	–	–
Balance, December 31, 2024	\$ 120,199	\$ 747	\$ 5,250	\$ 4,022	\$ 25,290	\$ 155,508
Net book value						
December 31, 2024	\$ 17,409	\$ 54	\$ 39	\$ 15	\$ 16,968	\$ 34,485

⁽¹⁾Other includes office furniture, equipment and leasehold improvements.

For the years ended December 31, 2025 and 2024, the Company had additions of capitalized wages and other directly attributable costs of \$1,276 and \$1,268, respectively, in network assets, property and equipment.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

6. Network assets, property and equipment (continued):

Disposal of network assets, property, and equipment:

During 2025, the Company wrote off assets with a net book value of \$56 (cost of \$205 less accumulated depreciation of \$149) which primarily represents replaced assets and obsolete assets disposed of for negligible value. During 2024, the Company wrote off assets with a net book value of \$46 (Cost of \$111 less accumulated depreciation of \$65). The Company also periodically reviews network assets, property, and equipment when events or circumstances may indicate the carrying value is no longer realizable. The Company recorded a charge of \$268 on network assets, property, equipment and intangible assets for the year ended December 31, 2025 (2024 - \$214). The corresponding loss on disposal is included in depreciation of network assets, property, and equipment.

During 2025, the Company sold seven telecommunications towers with a net book value of \$0 (cost of \$139 less accumulated depreciation of \$139) for gross proceeds of \$1,351.

As part of the transaction, the Company entered into a tower space license agreement with a ten-year term and a ten-year renewal option, allowing continued access to the tower sites for the operation of its telecommunications equipment. In accordance with IFRS 16, the tower space license agreement has been assessed and the appropriate accounting treatment has been applied using IFRS 16 lease accounting which has resulted in the recognition of a lease liability in the current reporting period (note 11).

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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Years ended December 31, 2025 and 2024

7. Intangible assets and goodwill:

(a) Intangible assets:

	Radio spectrum licenses	Computer software	Total intangible assets
2025			
Cost			
Balance, January 1, 2025	\$ 12,649	\$ 10,667	\$ 23,316
Additions	–	44	44
Balance, December 31, 2025	\$ 12,649	\$ 10,711	\$ 23,360
Accumulated amortization			
Balance, January 1, 2025	\$ 2,371	\$ 9,925	\$ 12,296
Amortization for the year	–	81	81
Balance, December 31, 2025	\$ 2,371	\$ 10,006	\$ 12,377
Net book value			
December 31, 2025	\$ 10,278	\$ 705	\$ 10,983
2024			
Cost			
Balance, January 1, 2024	\$ 12,649	\$ 10,461	\$ 23,110
Additions	–	206	206
Balance, December 31, 2024	\$ 12,649	\$ 10,667	\$ 23,316
Accumulated amortization			
Balance, January 1, 2024	\$ 2,371	\$ 9,876	\$ 12,247
Amortization for the year	–	49	49
Balance, December 31, 2024	\$ 2,371	\$ 9,925	\$ 12,296
Net book value			
December 31, 2024	\$ 10,278	\$ 742	\$ 11,020

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

7. Intangible assets and goodwill (continued):

Impairment of intangible assets:

At December 31, 2025, certain intangible assets (internally developed software tools and applications) were newly added and/or are not in use as yet. The Company tests intangible assets for impairment when events or circumstances may indicate the carrying value is no longer recoverable.

(b) Goodwill:

	2025	2024
Balance, beginning of year	\$ 861	\$ 861
Impairment	–	–
Balance, end of year	\$ 861	\$ 861

Impairment of goodwill and indefinite life intangible assets:

The annual impairment test of goodwill was performed on December 31, 2025, and did not result in any goodwill impairment loss.

In performing the annual impairment test, the Company determined there was a single CGU comprising all the assets to operate the connectivity business, including the radio spectrum licenses. The Company measured the recoverable amount of the CGU by valuing the Company's future operations by performing a discounted cash flow on estimated future cash flows and spectrum holdings by measuring the fair value less cost to sell. The Company relied on analyst reports, comparable spectrum auctions and other data to value the spectrum. Additionally, the Company relied on significant management assumptions, such as cash flow projections over a five-year period, based primarily on the financial budget reviewed by the Board, plus a terminal value using a terminal growth rate (provided in table below). The Company discounted these estimates of future cash flows to their present value using an after-tax discount rate (provided in table below) which reflects the entity's weighted average cost of capital. The Company's fair value less costs to sell exceeded the net carrying amount of the CGU.

Assumptions	2025	2024
Terminal value	3.0%	3.0%
Discount rate	13.0%	12.8%

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

8. Accounts payable and accrued liabilities:

	2025	2024
Trade payables	\$ 3,920	\$ 3,446
Employee compensation payable	397	715
	<u>\$ 4,317</u>	<u>\$ 4,161</u>

9. Decommissioning and restoration obligations:

The Company's hub sites are established in leased or licensed premises. As part of these arrangements, the Company is liable for all restoration costs to ensure that the space is returned to its original state upon termination of the leases. The decommissioning and restoration obligations are related to future site restoration costs associated to these leased or licensed premises. The decommissioning and restoration obligations were determined using a discount rate of 13.0% over a range of periods from 2025 to 2045. As at December 31, 2025, the estimated amount of undiscounted cash flows required to settle this liability was \$900 (2024 - \$747).

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the decommissioning and restoration obligations associated with the retirement of network assets:

	2025	2024
Obligation, beginning of year	\$ 226	\$ 255
Accretion expense included in finance costs	39	29
Changes in assumptions	—	(58)
Obligation, end of year	<u>\$ 265</u>	<u>\$ 226</u>

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

10. Long-term debt:

	2025	2024
Current portion of long-term debt	\$ –	\$ 25,702
Less financing fees	–	855
	\$ –	\$ 24,847
Long-term debt	\$ 30,571	\$ –
Less financing fees	1,639	–
	\$ 28,932	\$ –

Former 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") providing for a secured drawdown credit facility in the amount of U.S. \$20,000. The Credit Agreement bore interest at a variable interest rate of SOFR plus 9.00%, payable monthly, and was structured as an interest-only facility with a contractual term of 36 months. The Credit Agreement also included a 1% annual standby fee, payable monthly, on undrawn amounts and an exit fee payable on maturity or repayment of up to a maximum of \$1,000 calculated on a pro-rata basis on the amount drawn under the facility. The Company incurred financing fees in the amount of \$395 to facilitate the execution of the Credit Agreement. In connection with the Credit Agreement, the Company issued 216,463 warrants for the purchase of common shares, each exercisable to acquire one common share of the Company at an exercise price of \$4.43 for a period of five years. The warrants vested on a pro-rata as amounts were drawn down under the facility. From 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 warrants issued to CrowdOut.

The Credit Agreement and the warrants issued thereunder were accounted for as a compound financial instrument comprising a liability component representing the debt obligation and an equity component representing the warrants issued to the lenders. As the warrants entitle the holder to acquire a fixed number of the Company's common shares for a fixed exercise price, they meet the fixed-for-fixed criterion and are classified as equity instruments. Upon each drawdown under the facility, the liability component was initially measured at its fair value using the prevailing market borrowing rate applicable to the Company at the drawdown date, including reference to the forward SOFR curve, with the equity component measured as the residual amount of the compound instrument. Deferred financing costs were recorded as a reduction of the carrying amount of the debt and amortized over the expected life of the facility using the effective interest method.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

10. Long-term debt (continued):

On May 29, 2024, the Company and CrowdOut entered into a First Amending Agreement, pursuant to Cymbria Corporation ("Cymbria") joined the syndicate of lenders and certain facility terms were amended. Under the amendment, the committed facility under the Credit Agreement was reduced from U.S. \$20,000 to U.S. \$19,000, with the remaining U.S. \$5,000 funding was to be provided in two tranches consisting of U.S. \$2,000 available upon execution of the amendment and U.S. \$3,000 available after July 1, 2024. The amendment also removed the standby fee on undrawn amounts and eliminated any further accrual of exist fees payable to CrowdOut and increased the Adjusted Term SOFR floor from 1.5% to 5%.

In connection with this amendment, the Company issued 54,100 warrants to Cymbria on substantially similar terms to those previously issued to CrowdOut, exercisable at \$4.43 per share and vesting pro-rata as Cymbria's funding was drawn. The Company incurred financing fees in the amount of \$274 in connection with the amendment. On May 30, 2024, the Company drew the first tranche in the amount of \$2,736 (U.S. \$2,000), resulting in the vesting of 21,640 Cymbria warrants, and on August 27, 2024, the Company drew the second tranche in the amount of \$4,038 (U.S. \$3,000), resulting in the vesting of the remaining 32,460 Cymbria warrants.

On March 31, 2025, the Company entered into a Second Amending Agreement, which increased the committed facility from U.S. \$19,000 to U.S. \$21,000, with the additional U.S. \$2,000 funded by Cymbria on April 3, 2025, and increased the exit fee payable to CrowdOut by up to U.S.\$210, payable upon the earlier of maturity or repayment of the facility. In connection with this amendment, the Company issued 800,000 warrants to Cymbria in four tranches of 200,000 warrants each with exercise prices of \$2.50, \$2.00, \$1.50 and \$1.06, respectively. The warrants were valued using the Black-Scholes option pricing model, incorporating a risk-free interest rate of 2.47%, an expected life of three years, and expected volatility of 79.97%, resulting in a fair value of \$274, which was recorded in warrant reserve with a corresponding reduction in the carrying amount of the debt. The Company incurred financing fees of \$138 in connection with the amendment and incurred additional exit fees of \$295.

On September 10, 2025, the Company entered into a Third Amendment extending the maturity date of the Credit Agreement to October 31, 2025. The Credit Agreement contained financial covenants relating to leverage, liquidity and fixed charge coverage ratios. As at September 30, 2025, the Company did not meet the covenant requiring minimum cash and short-term investments of \$1,500, however the lender granted a waiver, and the facility remained in good standing.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

10. Long-term debt (continued):

All amendments to the Credit Agreement were assessed under IFRS 9 and determined to represent non-substantive modifications of the existing financial liability and therefore did not result in derecognition of the liability prior to repayment.

For the year ended December 31, 2025, prior to its repayment, interest expense recognized in respect of the Credit Agreement totaled \$3,210 (2024 - \$3,234) and amortization of deferred financing costs totaled \$1,566 (2024 - \$982), which were recorded within finance costs in the consolidated statements of comprehensive loss.

On October 15, 2025, the Company repaid in full all outstanding obligations under the Credit Agreement using proceeds from the new term loan facility described below. The repayment included settlement of the outstanding principal balance together with contractual exit fees of approximately \$1,081 payable to the lenders. Upon repayment, the Company derecognized the financial liability associated with the Credit Agreement in accordance with IFRS 9 and recognized a loss on extinguishment of debt of \$972, representing primarily the write-off of unamortized financing costs, settlement of exit fee obligations and foreign exchange impacts associated with the settlement of the U.S. dollar denominated liability.

New Senior Secured Term loan facility:

On October 15, 2025, the Company entered into a 36-month senior secured term loan facility with Cymbria Corporation as lender and EdgePoint Investment Group Inc. as administrative and collateral agent, providing gross proceeds of approximately \$30,571. The facility bears interest at 15% per annum, of which 10% is payable in cash in quarterly installments and 5% is payable-in-kind ("PIK"), accruing to the principal balance and payable at maturity. Interest expense recognized during the period includes both the cash interest and the non-cash PIK interest, with PIK interest accreting to the carrying amount of the debt. There are no scheduled principal repayments during the term of the facility, with the full outstanding principal balance, including accrued PIK interest, due at maturity. The facility matures on October 15, 2028 and is secured by a first-ranking charge over substantially all of the Company's assets and does not contain financial maintenance covenants.

On October 21, 2025, the facility was syndicated by the administrative agent to additional lenders. In connection with the syndication, the Company issued 2,053,411 common share purchase warrants to the participating lenders on a pro-rata basis, each exercisable to acquire one common share of the Company for a period of 60 months following issuance.

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Notes to Consolidated Financial Statements (continued)

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Years ended December 31, 2025 and 2024

10. Long-term debt (continued):

Consistent with the accounting applied to the Company's former Credit Agreement, the new term loan and the warrants issued in connection with the financing are accounted for as a compound financial instrument consisting of a liability component for the debt and an equity component for the warrants. On initial recognition, the liability component was measured at its fair value using the market borrowing rate applicable to the Company at the date of issuance, and the equity component representing the warrants was measured as the residual amount and recorded within warrant reserve in shareholders' equity.

The Company incurred financing fees of \$1,012 in connection with the new facility. These costs were directly attributable to the issuance of the debt liability and were therefore deducted from the carrying amount of the liability component and are amortized over the term of the facility using the effective interest method. No portion of the transaction costs was allocated to the equity component associated with the warrants.

11. 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 20 years.

(a) Right-of-use asset:

Changes in the right-of-use asset are summarized in note 6 of these consolidated financial statements.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

11. Leases (continued):

(b) Lease liabilities:

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

	2025	2024
Lease liabilities, beginning of year	\$ 18,681	\$ 15,064
Additions	1,847	104
Terminations	(472)	(96)
Interest on lease liabilities	2,587	2,259
Modifications	2,636	7,151
Lease payments	(5,791)	(5,801)
Lease liabilities, end of year	19,487	18,681
Less current portion	5,234	5,577
	\$ 14,253	\$ 13,104

A maturity analysis of these leases is set out in the below table:

	2026	2027	2028	2029	2030	Thereafter	Total
Undiscounted cash flows	\$ 5,234	\$ 4,564	\$ 3,996	\$ 3,800	\$ 3,310	\$ 18,252	\$ 39,156

12. Other long-term liabilities:

The following table is a summary of the exit fees for the extinguished term-debt facility.

	2025	2024
Current portion (note 10)	\$ –	\$ 806

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Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

13. Commitments and contingencies:

(a) Contingencies:

At December 31, 2025, the Company did not have any contingent liabilities.

(b) Commitments:

At December 31, 2025, the Company had various purchase commitments in the normal course of operations. Below is a summary of the future minimum payments for contractual obligations that are not recognized as liabilities at December 31, 2025.

	2026	2027	2028	2029	2030	Thereafter	Total
Network assets, property and equipment	\$ 340	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 340
Other obligations	1,637	443	148	14	1	–	2,243
Total commitments	\$ 1,977	\$ 443	\$ 148	\$ 14	\$ 1	\$ –	\$ 2,583

The Company is required to pay, under a Canadian Radio-television and Telecommunications Commission ("CRTC") administered regime, a percentage (2025 - 0.46%, 2024 - 0.45%) of its adjusted Canadian telecommunications service revenue (as defined by CRTC and excluding retail Internet revenue) into a fund administered by CRTC. For the years ended December 31, 2025 and 2024, the Company recorded fees of \$91 and \$91, respectively in cost of services.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

14. Income taxes:

(a) Income tax expense (recovery):

	2025	2024
Profit (loss) before income taxes (recovery)	\$ (16,765)	\$ (13,271)
Income taxes at enacted rate of 26.08% (2024 – 26.11%)	(4,372)	(3,466)
Non-deductible expenses and permanent differences	454	485
Change in unrecognized deductible temporary differences	3,346	2,893
Effect of change in future tax rates	87	39
True-up adjustment	485	61
Other	–	(12)
	\$ –	\$ –

(b) Recognized deferred tax assets and liabilities:

The table below summarizes the movement of net deferred tax assets and liabilities:

	2025	2024
Deferred tax assets:		
Income tax loss carryforwards	\$ 3,889	\$ 3,195
Deferred tax liabilities:		
Property, plant and equipment	(3,377)	(3,195)
Long Term Debt	(513)	–
Deferred tax asset (liability)	\$ –	\$ –

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

14. Income taxes (continued):

(c) Unrecognized deferred tax assets and liabilities:

Deferred tax assets and liabilities are attributable to the following:

	2025	2024
Deferred tax assets:		
Excess of tax value of PPE over NBV	\$ –	\$ –
Non-capital loss carryforwards	26,718	26,039
Deductible SR&ED	870	870
Restricted interest and financing expenses	2,423	1,358
Other deductible temporary differences	1,072	61
Capital lease obligations	1,039	447
	<u>\$ 32,121</u>	<u>\$ 28,775</u>

(d) Reconciliation of effective tax rate:

	2025	2024
Loss before income taxes	\$ (16,765)	\$ (13,271)
Income tax expense (recovery) at statutory rates	(4,372) 26.08 %	(3,466) 26.10 %
Permanent differences	454 (2.71)%	485 (3.70)%
Unrecognized deferred tax assets	3,346 (19.96)%	2,893 (21.80)%
Effect of change in future tax rates	87 (0.52)%	39 (0.30)%
Provision to return adjustment for prior year	485 (2.89)%	61 (0.50)%
Other	– 0.2 %	(12) 0.10 %
Tax expense (recovery)	<u>\$ – 0.00 %</u>	<u>\$ – 0.00 %</u>

(e) Tax loss expiry:

Terago has total unrecognized non-capital losses of \$102,467 as of December 31, 2025 (2024 - \$111,799) which has expiry periods from 2028 to 2045. As of December 31, 2025, Terago has \$870 (2024 - \$870) of future SR&ED deductions that can be carried forward indefinitely.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

15. Share capital:

(a) Authorized:

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. No preferred shares have been issued. Each common share of the Company entitles its holder to one vote at all meetings of shareholders.

Each common share of the Company entitles its holder to one vote at all meetings of shareholders subject to certain restrictions with respect to the voting rights. Each common share of the Company is also entitled to receive dividends if, as and when declared by the Board.

(b) Issued:

As at December 31, 2025, 39,016,539 common shares were issued and outstanding (2024 – 20,002,527).

- (i) On October 16, 2025, the Company completed a rights offering to eligible holders of its common shares, issuing 12,675,208 common shares at a subscription price of \$0.84 per share, for total gross proceeds of approximately \$10,647. The rights offering was partially supported by standby purchasers, including a significant shareholder and insider of the Company.

The Company completed a concurrent non-brokered private placement issuing 6,249,756 common shares at a subscription price of \$0.84 per share, for total gross proceeds of approximately \$5,250.

In aggregate 18,924,964 common shares were issued for aggregate gross proceeds of \$15,897. The Company incurred expenses of \$593 relating to the rights offering and private placement, which have been included within consolidated statements of changes in equity for the year ended December 31, 2025 as a reduction of share capital.

- (ii) During the year ended December 31, 2025, the Company issued 89,048 common shares (2024 – 128,865) to the independent members of the Board of Directors as part of their annual remuneration for the services rendered on the Company's Board. For the year ended December 31, 2025, the Company recorded stock-based compensation expense of \$83 (2024 - \$231) in the consolidated statements of comprehensive loss with an offsetting credit to share capital included within consolidated statements of changes in equity.

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Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

15. Share capital (continued):

(iii) On April 21, 2021, the Company completed a private placement where the Company issued and sold an aggregate of 934 Series A Units, 934 Series B Units and 934 Series C Units of the Company at a subscription price of \$5.25 per Unit, for gross proceeds of \$14,711. Each Unit is comprised of one common share and one-half ($\frac{1}{2}$) of a Series A, B or C Warrant (each a "Warrant"). Each whole Series A, B, C Warrant entitles the holder to purchase one common share at prices of \$7.00, \$7.50, and \$8.00, respectively. In total, the Company issued 2,802 common shares, 467 Series A Warrants, 467 Series B Warrants and 467 Series C Warrants. The warrants were valued using the Black-Scholes model and the residual method was used to value the common shares. The Company accounted for the warrants net of issuance costs in the Company's warrant reserve. On April 14, 2023 and October 14, 2023, the 934 Series A Units and 934 Series B Units fully expired, respectively. Expiration of warrants amounted to \$481. On April 14, 2024, the 934 Series C Units fully expired, amounting to \$262.

16. Stock-based compensation:

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

(a) Stock options:

The Company adopted its current option plan on June 18, 2007 (the "Option Plan") which is available to directors, officers, employees and other persons approved by the Board from time to time. The options granted under the Option Plan expire 10 years from the date of grant and generally vest over three years. All options under the Option Plan will vest immediately on a change of control of the Company.

On June 3, 2024, the Board approved an amended stock option plan, increasing the maximum aggregate number of options available to be issued under the amended stock option plan to be 2,983,044.

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Notes to Consolidated Financial Statements (continued)

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Years ended December 31, 2025 and 2024

16. Stock-based compensation (continued):

The fair value of each stock option granted has been estimated at the date of grant using the Black-Scholes option pricing model, with the following weighted average assumptions:

	2025	2024
Risk-free interest rate	2.83%	3.97%
Expected life (years)	6.50	6.50
Volatility	61.53%	72.41%

The weighted average grant date fair value of options granted during the year was \$85 (2024 - \$436). The grant date fair value of the options granted during the year ended December 31, 2025, was \$421 (2024 - \$1,551), which will be recognized over the three-year vesting period.

For the year ended December 31, 2025, the Company recognized stock-based compensation expense of \$666 (2024 - \$622) related to stock options, which is included in salaries and related costs in the consolidated statements of comprehensive loss.

The following table outlines the activity for stock options for the years ended December 31, 2025 and 2024.

	2025		2024	
	Number of options (in 000's)	Weighted average exercise price	Number of options (in 000's)	Weighted average exercise price
Outstanding, beginning of year	1,587	\$ 2.22	937	\$ 2.54
Granted	477	0.99	755	2.09
Forfeited/expired	(146)	1.62	(105)	4.13
Outstanding, end of year	1,918	1.96	1,587	2.22
Exercisable	809	\$ 2.38	334	\$ 2.64

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

16. Stock-based compensation (continued):

As at December 31, 2025, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows:

Range of exercise prices	Options outstanding		Options exercisable		
	Number outstanding (in 000's)	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable (in 000's)	Weighted average exercise price
\$0.80 - \$2.11	1,733	8.26	\$ 1.85	645	\$ 1.95
\$2.12 - \$5.44	185	6.42	4.18	164	4.07
	1,918	7.90	1.96	809	2.38

Subsequent to year-end, on March 10, 2026, certain employees and officers voluntarily surrendered 1,481,328 stock options previously granted under the Company's stock option plan. The surrendered options were cancelled for a nominal consideration. The effect of these cancellations will be reflected in the stock option continuity schedule in the subsequent reporting periods.

(b) Restricted share units:

On March 12, 2009, the Company established an RSU Plan which is available to the directors, officers and full-time employees approved by the Board. The RSU Plan participants are granted a specific number of RSUs for a given period based on their position and level of contribution which generally vest over a three-year period. The value of one RSU is equal to the value of one common share. At the end of the vesting period, the RSUs vest if the plan participant is employed by the Company. On June 21, 2019, the shareholders of the Company approved the Board recommendation to amend the RSU Plan whereby common shares may be issued from treasury to settle current and future vested PSUs and RSUs.

In 2025, the Company did not grant any RSUs (2024 - nil). During the year ended December 31, 2025, nil (2024 - 11,784) RSU's vested and were settled in a combination of cash and equity with the Company paying nil (2024 - \$10) in cash and issuing nil (2024 - 6,904 Common Shares) and nil (2024 - 3,696 Common shares) deducted for payment of withholding tax. For the year ended December 31, 2025, the Company recorded compensation expense of nil (2024 - \$10), related to the RSUs granted and forfeited.

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Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

16. Stock-based compensation (continued):

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

	2025	2024
	(in 000's)	
Balance, beginning of year	–	12
Forfeited	–	–
Vested/settled	–	(12)
Balance, end of year	–	–

(c) Performance Based Share Units:

The PSU Plan participants are granted a specific number of PSUs for a given period based on their role within the Company and level of performance which generally vest over a three-year period. The value of one PSU is equal to the value of one common share. PSUs are also issued pursuant to the RSU Plan. At the end of the vesting period, the PSUs vest if the plan participant is employed by the Company and certain performance criteria are met. On June 21, 2019, the shareholders of the Company approved the Board's recommendation to amend the RSU Plan whereby common shares may be issued from treasury to settle current and future vested PSUs and RSUs.

There were no PSUs granted in 2025 (2024 - nil). In 2025, nil (2024 - 16,956) PSUs vested and were paid in shares. During the year ended December 31, 2025, the Company issued nil (2024 - 16,956) Common Shares for the PSUs vested in 2023. For the year ended December 31, 2025 the Company recorded stock-based compensation of nil (2024 - nil), related to the PSUs.

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

	2025	2024
	(in 000's)	
Balance, beginning of year	–	17
Forfeited	–	–
Vested/settled	–	(17)
Balance, end of year	–	–

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Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

16. Stock-based compensation (continued):

(d) Stock-based compensation summary:

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

	2025	2024
	(in 000's)	
RSUs	\$ –	\$ 10
PSUs	–	–
Stock options	666	622
Directors' fees paid in shares	83	231
	<u>\$ 749</u>	<u>\$ 863</u>
RSUs paid in cash	\$ –	\$ 10

17. Loss per share:

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

	2025	2024
Numerator:		
Loss for the year	\$ (16,765)	\$ (13,271)
Denominator:		
Weighted average number of common shares (in thousands):		
Basic and diluted	35,916	19,915
Loss per share:		
Basic and diluted	\$ (0.47)	\$ (0.67)

During the year ended December 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.

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Notes to Consolidated Financial Statements (continued)
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Years ended December 31, 2025 and 2024

18. Key management personnel compensation:

The key management personnel are defined as executive officers of the Company, as well as the Board members, having authority and responsibility for planning, directing and controlling the activities of the Company. The following table outlines the total compensation for key management personnel for the year:

	2025	2024
Salaries, fees and benefits	\$ 1,517	\$ 1,718
Termination expense	250	369
Stock-based compensation expense	540	580
	\$ 2,307	\$ 2,667

The Company has arrangements with certain executive officers for termination and change of control benefits. Upon termination without cause by the Company, these officers are entitled to termination benefits of up to 24 months' base salary, annual bonus and lump sum cash payment in respect of any unvested stock options. All of the foregoing payments are subject to applicable statutory deductions.

19. Financial instruments:

(a) Classification and fair values of financial instruments:

The Company measures the fair value of its financial assets and financial liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value. The different levels of the fair value hierarchy are defined as follows:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability which are supported by little or no market activity.

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19. Financial instruments (continued):

The fair values of cash and cash equivalents 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 consolidated statements of financial position, approximate their carrying amounts due to their short-term maturities. The fair value of long-term debt approximates its carrying value because management believes the interest rates approximate the market interest rate for similar debt with similar security.

The following table outlines the carrying amounts and fair value of its financial assets and financial liabilities including their level in the fair value hierarchy:

	Carrying amount		Fair value (Level 2)	
	2025	2024	2025	2024
Financial assets				
Cash and cash equivalents	\$ 12,648	\$ 4,186	\$ 12,648	\$ 4,186
Short-term investments	–	234	–	234
Accounts receivable	1,432	1,905	1,432	1,905

	Carrying amount		Fair value (Level 2)	
	2025	2024	2025	2024
Financial liabilities				
Accounts payable and accrued liabilities	\$ 4,317	\$ 4,161	\$ 4,317	\$ 4,161
Current portion of long-term debt (note 10)	–	24,847	–	24,847
Long-term debt (note 10)	28,932	–	28,932	–
Lease liabilities	19,486	18,681	19,486	18,681

(b) Credit risk:

Credit risk represents the financial loss that the Company would experience if a counterparty to a financial instrument, in which the Company has an amount owing from the counterparty, failed to meet its obligations in accordance with the terms and conditions of its contracts with the Company.

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19. Financial instruments (continued):

The credit risk on cash and cash equivalents, and short-term investments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Company's credit risk is primarily attributable to its accounts receivable.

The Company, in the normal course of business, is exposed to credit risk from its customers and the accounts receivable are subject to normal industry risks. The Company attempts to manage these risks by dealing with credit worthy customers. If available, the Company reviews credit bureau ratings, bank accounts and industry references for all new customers. Customers that do not have this information available are typically placed on a pre-authorized payment plan for service or provide deposits to the Company. This risk is minimized as the Company has a diverse customer base located across various provinces in Canada.

As at December 31, 2025 and 2024, the Company had no material accounts receivable accounts that were not expected to be collected. It should be noted that customers have credit terms ranging from 30 days to 90 days. The following table provides the aging of the trade accounts receivable:

	2025	2024
Current	\$ 1,060	\$ 1,233
31 - 60	319	332
61 to 90	183	149
Over 90 days	451	301
	\$ 2,013	\$ 2,015

During the year, the movement in the credit loss allowance in respect of trade receivables was as follows:

	2025	2024
Balance, beginning of year	\$ 202	\$ 132
Amounts written off	(38)	(33)
Remeasurement of loss allowance	217	103
Balance, end of year	\$ 381	\$ 202

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19. Financial instruments (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. 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 business plan. The Company ensures there is sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its holdings of cash and its ability to raise capital from existing or new investors and/or lenders.

As at December 31, 2025, the Company had cash and cash equivalents of \$12,648. As at December 31, 2025, the Company's financial liabilities that have contractual maturities are summarized below:

	Less than 1 year	2 - 3 years	Total
Long-term debt	\$ –	\$ 30,571	\$ 30,571
Accounts payable and accrued liabilities	4,317	–	4,317
	<u>\$ 4,317</u>	<u>\$ 30,571</u>	<u>\$ 34,888</u>

(d) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to changes in interest rates on its cash and cash equivalents. The impact of change in interest rates is not expected to be significant. As at December 31, 2025, the Company's outstanding term debt facility is denominated in Canadian dollars and bear interest at fixed rates. Accordingly, the Company is not exposed to fluctuating benchmark interest rates, including SOFR or other variable interest rates.

TERAGO INC.

Notes to Consolidated Financial Statements (continued)
(Expressed In thousands of Canadian dollars, except share and per share amounts)

Years ended December 31, 2025 and 2024

19. Financial instruments (continued):

(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 and accounts payable. It is also exposed to foreign currency risk on revenue and expenses where it invoices or procures in U.S. dollars. During the year ended December 31, 2025, the Company recorded a foreign exchange loss of \$997 (2024 - gain of \$180).

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

	Currency	2025	2024
Cash and cash equivalents	U.S. dollar	\$ 54	\$ 2,082
Accounts payable and accrued liabilities	U.S. dollar	152	445
Long-term debt	U.S. dollar	–	19,000

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

20. Capital management:

The Company's objectives when managing capital are:

- (a) to ensure that the Company will continue as a going concern so that it can continue to provide services to its customers and offer a return on investment to its shareholders;
- (b) to maintain a capital structure which optimizes the cost of capital while providing flexibility and diversity of funding sources and timing of debt maturities along with adequate anticipated liquidity for future growth.

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Notes to Consolidated Financial Statements (continued)

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

Years ended December 31, 2025 and 2024

20. Capital management (continued):

The Company defines capital that it manages as the aggregate of its cash and cash equivalents, short-term investments, debt facilities including finance leases and equity comprising share capital, contributed surplus and deficit.

	2025	2024
Cash and cash equivalents	\$ (12,648)	\$ (4,186)
Short-term investments	–	(234)
Current portion of long-term debt	–	24,847
Long-term debt	28,932	–
Share capital	133,983	118,596
Contributed surplus	29,167	28,501
Deficit	(159,512)	(142,747)
	<u>\$ 19,922</u>	<u>\$ 24,777</u>

In managing its capital structure, the Company takes into consideration various factors, including the growth of its business and related infrastructure and the up-front cost of taking on new customers. The Company's officers and senior management are responsible for managing the capital through regular review of financial information to ensure sufficient resources are available to meet operating requirements and to support its growth strategy. The Company, upon approval from its Board, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company's overall strategy with respect to management of capital remains unchanged for the year ended December 31, 2025.

21. 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.