TERAGO INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2014 AND 2013

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and financial condition of TeraGo Inc. All references in this MD&A to "TeraGo", the "Company", "we", "us", "our" and "our company" refer to TeraGo Inc. and its subsidiaries, unless the context requires otherwise. This MD&A is dated August 7, 2014 and should be read in conjunction with our unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2014 and the notes thereto, our audited consolidated financial statements for the fiscal year ended December 31, 2013, including the notes thereto and our annual MD&A for the year ended December 31, 2013. Additional information relating to TeraGo, including our most recently filed Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com and our website at www.terago.ca. For greater certainty, the information contained on our website is not incorporated by reference or otherwise into this MD&A. All dollar amounts included in this MD&A are in Canadian dollars unless otherwise indicated.

Certain information included herein is forward-looking and based upon assumptions and anticipated results that are subject to uncertainties. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary significantly from those expected. For a description of material factors that could cause our actual results to differ materially, see the "Forward-Looking Statements" section of this MD&A and the "Risk Factors" section in our annual MD&A for the year ended December 31, 2013 which is available on SEDAR at www.sedar.com. This MD&A also contains certain industry-related non-GAAP and additional GAAP measures that management uses to evaluate performance of the Company. These non-GAAP and additional GAAP measures are not standardized and the Company's calculation may differ from other issuers. See "Definitions – IFRS, Additional GAAP and Non-GAAP measures".

FORWARD-LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are made as of the date hereof only and based upon current expectations, which involve risks and uncertainties associated with our business and the economic environment in which the business operates. All such statements are made pursuant to the 'safe harbour' provisions of, and are intended to be forward-looking statements under, applicable Canadian securities laws. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. For example, the words *anticipate, believe, plan, estimate, expect, intend, should, may, could, objective* and similar expressions are intended to identify forward-looking statements. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed with the forward-looking statements. When relying on forward-looking statements to make decisions with respect to the Company, you should carefully consider the risks set forth herein and in the "Risk Factors" section in our annual MD&A for the year ended December 31, 2013 on www.sedar.com and other uncertainties and potential events. In particular, if any of the risks materialize, the expectations, and the predictions based on them, of the Company may need to be re-evaluated. Consequently, all of the forward-looking statements in this MD&A are expressly qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences for the Company.

Except as may be required by applicable Canadian securities laws, we do not intend, and disclaim any obligation, to update or revise any forward-looking statements whether in words, oral or written as a result of new information, future events or otherwise.

OVERVIEW

Quarterly Financial Highlights & Developments

- Total revenue increased 3% to $13.2 million for the three months ended June 30, 2014, compared to $12.8 million for the same period in 2013, primarily due to increased early termination fees and increased data center revenue;

- Adjusted EBITDA decreased 6% to $4.3 million for the three months ended June 30, 2014, compared to $4.6 million for the same period in 2013 primarily due to a decrease in access revenue partially offset by an increase in data center revenue and early termination fees; Adjusted EBITDA for the three months ended June 30, 2014 increased 14% compared to $3.8 million for the first quarter of 2014;

- Net loss was $1.5 million for the three months ended June 30, 2014 compared to net earnings of $2.1 million for the same period in 2013. This decrease was primarily due to financing costs related to the new $50.0 million Credit Facilities and severance costs related to restructuring as well as a deferred income tax recovery recorded in the second quarter of 2013;

- Average monthly churn rate based on access customer locations in service was 0.93% for the three months ended June 30, 2014 compared to 1.01% in the prior quarter and 1.29% for the prior year, primarily due to retention initiatives and customer service[1];

- Added 65 net customer locations for the three months ended June 30, 2014 compared to 22 for the prior quarter and a net loss of (40) for the same period in 2013[1];

- The Company announced that it has continued to expand its data center business in Western Canada through the acquisition of an additional 7,000 square foot data center facility in downtown Vancouver, BC., bringing the total amount of its data center capacity in downtown Vancouver to 14,000 square feet;

- For the third consecutive year, the Company has earned a place in the top 100 among Canada's top technology companies on the Branham 300 list; and

- TeraGo entered into a credit agreement with National Bank of Canada and Royal Bank of Canada ("RBC") for Credit Facilities maturing June 6, 2017, totaling $50.0 million, consisting of a $5.0 million revolving operating credit facility, a $20.0 million non-revolving term credit facility to repay the drawn portion of the Company's previous credit facility and a $25.0 million non-revolving acquisitions and capital expenditure facility (collectively, the "Credit Facilities"). The Credit Facilities replaced TeraGo's previous debt facilities with RBC. As at June 30, 2014, the Company had cash and cash equivalents and short-term investments of $2.1 million and access to the $29.0 million undrawn portion of its $50.0 million Credit Facilities.

Events subsequent to June 30, 2014

- On July 2, 2014, the Company announced that it was presented with the Canadian Telecommunications Employer of Choice award for 2014.

- On July 28, 2014, the Company announced the addition of Greg Larnder as Vice President, Sales to its executive management team effective August 5, 2014.

[1] *Net customer locations and average monthly churn by customer location are presented excluding 215 new wireless entrant's locations that were decommissioned in Q2 2014*

TERAGO OVERVIEW

TeraGo provides broadband communications services and data center services through its owned networks and data centers.

Broadband Communications	Data Center Services
• High performance, scalable Internet access principally via wireless with fibre optic in selected strategic areas • Data connections and VLAN services • Redundant connectivity • Voice over IP services	• Colocation services in partial, full, or customized cabinets • Managed services • Other value added services

Strategy
TeraGo leverages its strategic strengths as a leading facilities-based information technology ("IT") and data center services provider for small and medium-sized business ("SMB") customers in Canada, enabling their businesses to connect to the world and securing their critical information assets by providing superior customer service, performance and availability as key differentiators.

The key components of our growth strategy are:

- Increase customer penetration in our existing markets;
- Cross-sell and promote our enhanced service offerings that includes value-added IT services to our current broadband Internet access and data connectivity customer base;
- Expand our data center services and locations, including colocation, managed services and cloud services into a comprehensive set of IT offerings;
- Expand and enhance our broadband network using combination of wireless and fibre optic technologies; and
- Pursue strategic initiatives including acquisitions and partnerships on an opportunistic basis.

TERAGO'S BUSINESS MODEL

TeraGo's subscription-based business model generates stable and predictable recurring revenue from Internet, data, voice services, and data center services.

Broadband communications
TeraGo's broadband customers typically sign one, two or three-year contracts. In 2013, approximately 86% of our new customers signed contracts for three years or more. Services are billed monthly or quarterly over the term of the contract.

Data center services
Colocation revenue is derived from set-up fees for new installations and monthly recurring charges based on the number of cabinets and/or the quantity of cage space, power requirements and Internet/data bandwidth requirements.

Business model success
Since inception, TeraGo has achieved strong growth in the number of customers served. As at June 30, 2014, the Company offered its services in 46 geographic markets across Canada serving over 4,100 customers. Once a customer is obtained, we work to capitalize on opportunities to generate incremental recurring revenue from that customer by adding new customer locations and increasing service capacity supplied to existing locations, by increasing data center cabinet space, and by providing additional services.

BROADBAND COMMUNICATIONS

TeraGo owns and operates a carrier-grade Multi-Protocol Label Switching ("MPLS") enabled wireline and fixed wireless, Internet Protocol ("IP") communications network in Canada, providing businesses with high performance, scalable, and secure access and data connectivity services.

TeraGo's carrier grade IP communication network serves an important and growing demand among Canadian businesses for network access diversity by offering wireless services that are redundant to their existing wireline broadband connections.

TeraGo's IP network that has been designed to eliminate single points of failure and the Company backs its services with customer service level commitments, including 99.9% service availability, industry leading mean time to repair, 24 x 7 telephone and e-mail access to technical support specialists.

BROADBAND COMMUNICATIONS SERVICES

Internet Services
TeraGo offers Canadian businesses high performance TeraGo Subscription Line (TSL), Ethernet and Dedicated Internet access with upload and download speeds from 1.5 megabytes per second ("Mbps") up to 1 Gbps. Unlike asymmetrical DSL services offered by many of our competitors, Terago provides services that are symmetrical, hence customers can have the same high speed broadband performance whether uploading or downloading. TeraGo enhances service performance by minimizing the number of networks between our customers and their audiences, using peering arrangements with multiple tier-one carriers to connect to the Internet.

Data Services
TeraGo offers data connectivity services that allow businesses to connect their multiple sites within a city or across TeraGo's geographic footprint through a Private Virtual Local Area Network ("VLAN"). With speeds from 1.5 Mbps to 1 Gbps, TeraGo's VLAN services are ideal for companies with multiple offices and large interoffice data requirements. Campus VLAN services between two customer locations are available at speeds up to 1 Gbps. TeraGo's data services, which run across our MPLS core network, are symmetrical, allowing communication between parties in both directions simultaneously. TeraGo's use of Ethernet over MPLS ("EoMPLS") technology enhances its VLAN performance and enables VLAN customers to experience higher reliability and easier provisioning.

Voice Services
TeraGo is approved by the Canadian Radio-television and Telecommunications Commission ("CRTC") to offer voice services as a Type IV competitive local exchange carrier ("CLEC"). TeraGo provides businesses with a cost effective, flexible and high quality connection from their private branch exchange ("PBX") to the public switched telephone network ("PSTN"). TeraGo's service provides features and capabilities generally consistent with those provided by incumbent local exchange carriers ("ILECs"), while offering greater value for our customers.

BROADBAND NETWORK

To deliver broadband services, the Company has built and operates a next generation, carrier-grade, broadband IP network, using licensed and license-exempt spectrum and fibre-optic wireline infrastructure that supports commercially available equipment.

The Company owns and controls a national MPLS distribution network from Vancouver to Montreal that aggregates customer voice and data traffic and interconnects when necessary with carrier diverse leased fiber optic facilities. Major Internet peering and core locations are centralized in Vancouver, Toronto, Seattle and Los Angeles although Internet access is also available in all regional markets for further redundancy.

TeraGo offers a range of diverse Ethernet-based services over a secured wireless connection to customer locations up to 20 kilometres from a hub (provided line of sight or wireline networks exist) or through a fibre optic connection.

There are three main network components in each regional market: core hub, multiple hub sites and customer locations:

Core Hub Sites
Core hub sites, the main interconnection point between our regional wireless and wireline system and national MPLS fiber-optic facilities, are equipped with redundant fiber-optic equipment, high performance MPLS routers,

uninterruptible power supplies, and server equipment. Core hub sites are configured in MPLS ring architecture to avoid service disruption in the event of any single point of failure.

Hub Sites
Hub sites are generally equipped with broadband wireless base stations where appropriate; high performance Ethernet switches and routers; high capacity licensed backhaul radios with uninterruptible power supplies; and in selected cases, fibre optic connections, both used to connect the Hub site to one or more adjacent hub sites. Under our enhanced strategy to deploy fibre-optic facilities, TeraGo is constructing fibre-optic routes that originate at a hub site and, using industry standard fibre-optic termination equipment, provide fibre-optic access to TeraGo customers. Where appropriate, TeraGo is also deploying fibre-optic facilities between hubs to provide backhaul capabilities.

Customer Locations
Customer locations are typically equipped with a broadband wireless radio and, depending upon the services deployed, a managed Ethernet switch, router, or QoS-enabled voice demarcation device. Broadband wireless radios, widely available from leading manufacturers, are selected to match the customer's performance requirements. Customer connections may also be supported over TeraGo's new fibre-optic facilities. Both broadband wireless and fibre-optic customer premise equipment is industry standard and sourced from leading manufacturers. The customer interface to our services is an industry standard RJ45 Ethernet or PRI jack.

Quality of Service Capabilities
TeraGo's MPLS network, including key high traffic hub sites, is equipped with Quality of Service ("QoS") capabilities to improve performance and traffic management. All of TeraGo's major national markets are end-to-end QoS enabled providing the foundation to support voice traffic and other potential future applications.

RADIO SPECTRUM

24-GHz and 38-GHz Wide-area Licences
The Company owns a national spectrum portfolio of 76 24-GHz and 38-GHz wide-area spectrum licences, covering Canadian regions with a population base of 24.5 million, and including 1,160 MHz in Canada's 6 largest cities. This spectrum is used for: point-to-point and point-to-multipoint microwave radio deployments; connecting core hubs together to create a wireless backbone where appropriate (often in a ring configuration to avoid points of failure); and in the access network or "last mile" to deliver high capacity (speeds of 10 to 1,000 Mbps) Ethernet-based broadband links for business, government and cellular backhaul.

The Company's 24-GHz and 38-GHz wide area licences are in Abitibi, Barrie, Belleville, Brandon, Brockville, Calgary, Chatham, Cobourg, Cornwall, Edmonton, Huntsville, Kingston, Lethbridge, Listowel/Goderich/Stratford, London/Woodstock/St. Thomas, Medicine Hat/Brooks, Montreal, Nanaimo, Niagara/St. Catharines, Okanagan/Columbia, Ottawa, Pembroke, Peterborough, Red Deer, Strathroy, Toronto, Vancouver, Victoria, Windsor/Leamington, and Winnipeg.

38 GHz User Defined Licences
TeraGo's licences in the 38 GHz band, issued on an as-needed and user-defined basis, are used for point-to-point deployments. Industry Canada's spectrum grid concept defines service areas based on 25 square kilometre hexagonal grid cells.

The Company's 38 GHz user-defined licences are in Abbotsford, Calgary, Edmonton, Montreal, Ottawa, Toronto, Vancouver, and Waterloo.

11, 18 and 23 GHz Point-to-Point Licences
TeraGo also holds 378 point-to-point licences in the 11, 18 and 23 GHz bands, licensed by Industry Canada on a site-by-site basis and used to deploy point-to-point radio links.

3.65 GHz Licences
TeraGo also holds 16 3.65-GHz band licences on a shared-use basis. Each licence consists of 50 MHz of spectrum, available within the entire serving area, and used to provide services up to 10 Mbps using point-to-point and point-to-multipoint deployments.

The Company's 3.65 GHz licences are in Barrie, Calgary, Edmonton, Guelph/Kitchener, Kelowna, London/Woodstock/St. Thomas, Montreal, Niagara/St. Catharines, Ottawa, Red Deer, Steinbach, Toronto, Vancouver, Victoria, Windsor/Leamington, and Winnipeg.

For further details on licensed spectrums, please refer to the Company's 2013 Annual Information Form.

DATA CENTER AND IT SERVICES

TeraGo provides data center services that protect and connect our customers' most valued information assets. Customers can provision computing equipment within shared partial cabinets or full, private cabinets, as well as customized caged space designed for their specific needs. Multiple service providers provide connectivity on redundant routes in and out of the facilities.

TeraGo also offers disaster recovery services on a custom basis. This includes back-up office facilities that can be used in case of disaster. These facilities can be provisioned at the data center location and provide customers with the capability to restore office functionality with direct access to their information located in the data center.

TeraGo also intends to provide several IT solutions to customers either on an indirect or direct basis. Many of these solutions will be cloud-based, and will allow the Company to compete in the Platform as a Service ("PaaS") and Infrastructure as a Service ("IaaS") markets.

Our broadband network can provide these customers Internet and/or secure private virtual LAN connections between the Data Center facility and the customer's office location(s).

Data center services customers typically include national government agencies, financial services companies, cloud and data storage service providers, content and network service providers, and small and medium businesses which rely on TeraGo to store and manage their critical IT equipment and provide the ability to directly connect to the networks that enable our information-driven economy.

Growth Potential

With its entry into this business, TeraGo is building an operating platform to benefit from the growing data center and colocation solutions sector. TeraGo believes the growth potential for data center services is significant. Cross selling opportunities within the TeraGo/Data Centers Canada customer base, leveraging our proven customer acquisition channels, as well as capitalizing on the Company's carrier grade broadband network is expected to accelerate revenue growth. In addition, growth is expected to be achieved through current data center customers continued expansion as their business and data requirements grow. TeraGo also expects that it can generate incremental demand for its broadband access services from data center services customers and eventually, its cloud services customers.

Data Center Facilities

Vaughan, Ontario

TeraGo operates a 16,000 square foot SSAE 16 SOC1 Type 2 data center facility in Vaughan, Ontario, serving the Greater Toronto Area. This facility provides data center solutions, including colocation and disaster recovery, to a roster of small and medium-sized businesses, enterprises, public sector and technology service providers. The Vaughan facility has room to expand as business needs dictate.

Vancouver, British Columbia

TeraGo has acquired a 5,058 square foot expandable to 7,000 square foot data center facility in Vancouver, British Columbia. This will be utilized to service the greater Vancouver area. The facility has redundant fibre facilities between the data center and the 'telco hotel', 555 West Hastings, in downtown Vancouver. In April 2014, the Company announced that it has continued to expand its data center business in Western Canada through the acquisition of an additional 7,000 square foot data center facility in downtown Vancouver that is served by TeraGo's fibre optic line. This brings TeraGo's total amount of data center capacity in downtown Vancouver to 14,000 square feet.

RESULTS OF OPERATIONS

Comparison of the three and six months ended June 30, 2014 and 2013
(in thousands of dollars, except with respect to gross profit margin, earnings per share and operating metrics)

	Three months ended June 30		Six months ended June 30	
	2014	**2013**	**2014**	**2013**
Financial				
Revenue	$ 13,182	$ 12,779	$ 26,056	$ 25,349
Cost of Services [1]	$ 2,912	$ 2,813	$ 5,963	$ 5,583
Gross profit margin [1]	77.9%	78.0%	77.1%	78.0%
Adjusted EBITDA [1][2]	$ 4,330	$ 4,585	$ 8,132	$ 8,918
EBITDA [1][2]	$ 3,578	$ 4,129	$ 6,869	$ 8,462
Earnings (loss) from operations [1][3]	$ (592)	$ 1,051	$ (1,352)	$ 2,590
Net earnings (loss)	$ (1,535)	$ 2,101	$ (2,628)	$ 3,441
Basic earnings (loss) per share	$ (0.13)	$ 0.18	$ (0.23)	$ 0.30
Diluted earnings (loss) per share	$ (0.13)	$ 0.18	$ (0.23)	$ 0.29
Operating				
Customers	4,107	4,079	4,107	4,079
ARPU [1]	$ 1,010	$ 1,040	$ 1,021	$ 1,033
Churn rate [1]	1.00%	1.34%	1.03%	1.27%
Number of employees	178	186	178	186

(1) See "DEFINITIONS - Key Peformance Indicators, IFRS, Additional GAAP and NON-GAAP Measures" for descriptions of Cost of Services, Gross profit margin %, EBITDA, Adjusted EBITDA, Earnings (loss) from Operations, Churn and ARPU

(2) See "EBITDA" for a reconciliation of net earnings (loss) to EBITDA and Adjusted EBITDA

(3) Earnings (loss) from operations is defined as earnings (loss) before foreign exchange, finance costs/ (income) and taxes.

Refer to "Definitions – IFRS, Additional GAAP and Non-GAAP Measures" for a description of the components of relevant line items below.

Revenue

Total revenue increased 3.2% to $13.2 million for the three months ended June 30, 2014 compared to $12.8 million for the same period in 2013. For the six month period ended June 30, 2014, total revenue increased 2.8% to $26.1 million compared to $25.3 million for the same period in 2013.

Service revenue of $12.4 million for the three months ended June 30, 2014 was consistent compared to $12.4 million for the same period in 2013. For the six months ended June 30, 2014, service revenue increased 1.6% to $25.0 million compared to $24.7 million for the same period in 2013. The increase in service revenue was driven primarily by revenue from the data center, a net increase in customers partially offset by a reduction in access revenue from backhaul service from a new wireless entrant, lower usage and by offering more competitive pricing to selected long-term customers upon contract renewal. Revenue from the data center was $0.8 million and $1.6 million for the three and six months ended June 30, 2014 compared to $0.2 million and $0.2 million for the same periods in 2013, respectively.

Other revenue, for the three and six months ended June 30, 2014 was $0.8 million and $1.0 million, respectively, compared to $0.3 million and $0.7 million, respectively, for the same periods in 2013. For the three and six months ended June 30, 2014, the increase is primarily due to early termination fees from a new wireless entrant compared to the same periods in 2013.

Customers and Customer locations in service

TeraGo implemented changes to its definitions of Customers, ARPU and Churn to reflect a change in the presentation of these measures from being based on customer locations in service to total customers. This change was made in order to align its key performance indicators with the strategic focus of cross-selling enhanced service offerings to new and existing customers. Accordingly, the relevant metrics for the three and six months ended June 30, 2013 have been made consistent for comparison purpose.

For comparative purpose, the conversion from measurement by customer locations in service to total customers is as follows:

	Three months ended June 30		Six months ended June 30	
	2014	**2013**	**2014**	**2013**
Customer locations in service, beginning of the period	6,475	6,563	6,453	6,575
Net locations added (excluding new wireless entrant locations decommissioned)	65	(40)	88	(52)
	6,540	6,523	6,541	6,523
New wireless entrant locations decommissioned	(215)	-	(216)	-
Customer locations in service, end of the period	6,325	6,523	6,325	6,523
Average locations per customer	1.61	1.67	1.61	1.67
Customers before data center only customers	3,934	3,914	3,934	3,914
Data center only customers, end of the period	173	165	173	165
Total customers, end of the period	4,107	4,079	4,107	4,079

ARPU

ARPU or revenue per customer was $1,010 and $1,021, respectively, for the three and six months ended June 30, 2014 compared to $1,040 and $1,033 for the same periods in 2013. This decrease was primarily due to a decrease in revenue contribution from the Internet access business partially offset by an increase in the data center services as discussed in the revenue section above. The Company believes the current retention campaign launched for customers coming to the end of the contract term will help long-term revenue growth by maintaining a large base of customers to cross-sell complementary services such as data center and IT services.

When measuring ARPU based on access customer locations in service, which historically included early termination fees, the ARPU was $638 for the three months ended June 30, 2014 compared to $627 for the same period in 2013. The increase was primarily due to the receipt of the early termination fee partially offset by lower usage revenue, incentives to retain customers as well as the impact of competitive pricing on both customer renewals and new sales.

Churn

The average monthly churn rate was 1.00% and 1.03%, respectively, for the three and six months ended June 30, 2014 compared to 1.34% and 1.27%, respectively, for the same periods in 2013 primarily as a result of the enhanced retention focus now in place. Management continues to focus on retention initiatives and offerings, customer service, focused on the needs of SMB customers and renewed sales activity with competitive product offerings in addition to monitoring customer creditworthiness and churn levels.

When measuring churn rate based on access customer locations in service and excluding churned locations from a new wireless entrant customer, it would have been 0.93% for the three months ended June 30, 2014 compared to 1.29% for the same period in 2013. The current period's churn rate was 2.02% when including new wireless entrant customer locations.

Cost of Services

Cost of services increased to $2.9 million for the three months ended June 30, 2014 compared to $2.8 million for the same period in 2013. For the six months period ended June 30, 2014, cost of services increased to $6.0 million compared to $5.6 million for the same period in 2013. The increase was primarily due to the increase in utilities expense related to the data center and an increase in property access costs.

Salaries and related costs-other and other operating items ("SG&A")

SG&A expenses increased to $7.5 million for the three months ended June 30, 2014 compared to $5.9 million for the same period in 2013. For the six months ended June 30, 2014, SG&A expenses increased to $14.8 million compared to $11.3 million for the same period in 2013. For the three and six months ended June 30, 2014, the increase was primarily due to restructuring costs from re-aligning the Company's strategy and acquisition-related and integration costs of $0.8 and $1.3 million, respectively and higher stock-based compensation of $0.5 million and $1.2 million, respectively. For the six months ended June 30, 2014, the stock-based compensation includes $0.6 million which relates to a stock option tax indemnity claim by a former officer.

EBITDA and Adjusted EBITDA

Adjusted EBITDA was $4.3 million for the three months ended June 30, 2014 compared to $4.6 million for the same period in 2013, a decrease of 6%. Adjusted EBITDA for the six months ended June 30, 2014 was $8.1 million compared to $8.9 million for the same period in 2013, a decrease of 9%. For the three and six months ended June 30, 2014, the adjusted EBITDA decrease was primarily due to a decrease in access revenue partially offset by an increase in data center revenue and early termination fees.

The table below reconciles net earnings (loss) to EBITDA and Adjusted EBITDA for the three and six months ended June 30, 2014 and 2013.

(in thousands of dollars)	**Three months ended June 30**		**Six months ended June 30**	
	2014	**2013**	**2014**	**2013**
Net earnings (loss) for the period	$ (1,535)	$ 2,101	$ (2,628)	$ 3,441
Foreign exchange loss	(32)	39	1	58
Finance costs	979	235	1,298	423
Finance income	(4)	(10)	(23)	(18)
Income tax(recovery) expense	-	(1,314)	-	(1,314)
Earnings (loss) from operations	(592)	1,051	(1,352)	2,590
Add:				
Depreciation of network assets, property and equipment and amortization of intangible assets	3,331	2,998	6,619	5,844
Loss (gain) on disposal of network assets	363	144	375	105
Stock-based compensation expense (recovery)	476	(64)	1,227	(77)
EBITDA[1]	**$** 3,578	**$** 4,129	6,869	8,462
Restructuring, acquistion-related and integration costs	752	456	1,263	456
Adjusted EBITDA[1]	**$** 4,330	**$** 4,585	**$** 8,132	**$** 8,918

[1]See Definitions – Key Performance Indicators, IFRS, Additional GAAP and Non-GAAP Measures

Finance costs

Finance costs increased to $1.0 million for the three months ended June 30, 2014 compared to $0.2 million for the same period in 2013. For the six months ended June 30, 2014, finance costs increased to $1.3 million compared to $0.4 million for the same period in 2013. The increase in finance costs compared to 2013 is primarily due to fees and charges related to the set-up of the new Credit Facilities and termination of the old facility and an increase in interest expense as TeraGo's debt level increased due to acquisitions at the end of the second quarter in 2013.

Depreciation and amortization

Depreciation of network assets, property and equipment and amortization of intangibles increased by 11% to $3.3 million for the three months ended June 30, 2014 compared to $3.0 million for the same period in 2013. For the six months ended June 30, 2014, depreciation of network assets, property and equipment and amortization of intangibles increased by 13% to $6.6 million compared to $5.8 million for the same period in 2013. The increase in depreciation and amortization relates to increased investment in fibre optic network, wireless network assets and customer premise equipment as well as the amortization of new intangible assets acquired in the purchase of DCC on May 31, 2013.

Deferred income taxes

The Company reviewed and updated the assumptions and projections regarding future profitability as at June 30, 2014. Based on management's analysis, no change in deferred income tax assets resulting from temporary tax differences were recognized in the three months ended June 30, 2014. For the three months ended June 30, 2013, the Company recognized a tax benefit of $1.3 million associated with previously unrecognized tax losses.

Earnings (loss) from operations

Loss from operations was $0.6 million for the three months ended June 30, 2014 compared to earnings from operations of $1.1 million for the same period in 2013. For the six months ended June 30, 2014, loss from operations was $1.4 million compared to earnings from operations of $2.6 million for the same period in 2013. The changes are due to the items noted above.

Net earnings (loss)

Net loss was $1.5 million for the three months ended June 30, 2014, compared to net earnings of $2.1 million for the same period in 2013. For the six months ended June 30, 2014, net loss was $2.6 million compared to net earnings of $3.4 million for the same period in 2013. For the three and six months ended June 30, 2014, net loss was impacted by the restructuring costs of $0.8 million and $1.2 million, respectively, and finance costs associated with the new credit facility of $0.6 million. Net earnings for the three months ended June 30, 2013 includes a tax benefit of $1.3 million associated with the previously unrecognized tax losses.

Summary of Quarterly Results

All financial results are in thousands, with the exception of earnings per share.

	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Revenue	$ 13,182	$ 12,874	$ 12,909	$ 13,168	$ 12,779	$ 12,570	$ 12,567	$ 12,340
Gross Profit Margin %[1]	77.9%	77.7%	77.0%	79.0%	78.2%	78.0%	77.9%	77.5%
Adjusted EBITDA[1]	$ 4,330	$ 3,802	$ 4,306	$ 5,140	$ 4,585	$ 4,333	$ 3,967	$ 4,099
EBITDA[1]	$ 3,578	$ 3,291	$ 3,043	$ 5,001	$ 4,129	$ 4,333	$ 3,967	$ 4,099
Net earnings (loss)[1]	$ (1,535)	$ (1,093)	$ (734)	$ 1,602	$ 2,101	$ 1,340	$ 3,245	$ 713
Basic earnings (loss) per share	$ (0.13)	$ (0.10)	$ (0.06)	$ 0.14	$ 0.18	$ 0.12	$ 0.29	$ 0.06
Diluted earnings (loss) per share	$ (0.13)	$ (0.10)	$ (0.06)	$ 0.13	$ 0.18	$ 0.11	$ 0.27	$ 0.06
Basic weighted average number of shares outstanding	11,566	11,490	11,446	11,430	11,419	11,397	11,345	11,322
Diluted weighted average number of shares outstanding	11,566	11,490	11,446	11,884	11,962	11,960	11,892	11,843

[1]See Definitions – Key Performance Indicators, IFRS, Additional GAAP and Non-GAAP Measures

Seasonality

The Company's net customer growth is typically impacted adversely by weather conditions. The majority of new customer locations require the installation of rooftop equipment. Typically, harsher weather in the first quarter of the year results in a reduction of productive installation days.

The Company's cash flow and earnings are typically impacted in the first quarter of the year due to several annual agreements requiring payments in the first quarter including annual spectrum payments, annual rate increases in long-term contracts and the restart on January 1st of payroll taxes and other levies related to employee compensation.

LIQUIDITY AND CAPITAL RESOURCES

TeraGo has historically financed its growth and operations through cash generated by operations, the issuance of equity securities and long-term debt.

The table below is a summary of cash inflows and outflows by activity.

(in thousands of dollars)	**Three months ended June 30**		**Six months ended June 30**	
	2014	**2013**	**2014**	**2013**
Statement of Cash Flows Summary				
Cash inflows and (outflows) by activity:				
Operating activities	$ 2,673	$ 4,238	$ 5,123	$ 6,883
Investing activities	(3,624)	(12,196)	(6,427)	(15,570)
Financing activities	2,089	7,996	1,183	8,276
Net cash inflows (outflows)	1,138	38	(121)	(411)
Cash and cash equivalents, beginning of period	878	1,020	2,137	1,469
Cash and cash equivalents, end of period	$ 2,016	$ 1,058	$ 2,016	$ 1,058

Cash from Operations
For the three months ended June 30, 2014, cash generated from operating activities was $2.7 million compared to $4.2 million for the same period in 2013. For the six months ended June 30, 2014, cash generated from operating activities was $5.1 million compared to $6.9 million for the same period in 2013. The decrease in cash generated from operating activities for the three and six months ended June 30, 2014 is principally from a net loss driven primarily from an increase of SG&A expenses for restructuring and the payment of $0.2 million for the Company's outstanding PSUs that vested.

Cash used in Investing
Cash used in investing activities was $3.6 million and $6.4 million, respectively, for the three and six months ended June 30, 2014 compared to $12.2 million and $15.6 million, respectively, for the same periods in 2013. This includes the purchase or construction of fibre optic network, data center equipment purchase, the purchase and installation of equipment related to our network build, upgrade and sparing activity, the purchase and installation of customer premise equipment, the purchase of property and equipment such as computer hardware and software, and the redemption of short-term investments.

For the three and six months ended June 30, 2014, additions to fibre optic and wireless network assets, property and equipment, excluding amounts related to changes in non-cash working capital, was $2.1 million and $6.1 million, respectively, compared to $3.0 million and $5.1 million, respectively, for the same periods in 2013. For the three months ended June 30, 2014, the capital spending is primarily attributable to data center improvements, upgrading intercity core network and new equipment related to new customer installs. In addition, for the six months ended June 30, 2014, the capital expenditure included the purchase of newly constructed fibre-optic core network adding over twelve fibre serviced high density on-net buildings in downtown Vancouver. The Company introduced capital efficiency initiatives which contributed partially to the decrease in capital expenditures in the second quarter of 2014 compared to the same period in 2013.

For the three and six months ended June 30, 2013, cash used in investing included the payment of $9.5 million, net of cash acquired, for the acquisition of DCC.

For the three and six months ended June 30, 2014, additions to intangibles and other assets, excluding amounts related to the changes in non-cash working capital were $0.1 million and $0.4 million, respectively, compared to $0.3 million and $0.6 million, respectively, for the same periods in 2013.

For the three months ended June 30, 2014, there were no transactions in short-term investments. For the six months ended June 30, 2014 the Company had redeemed net $0.4 million of short-term investments compared to an investment of net $1.0 million for the same period in 2013.

Cash from Financing
For the three and six months ended June 30, 2014, cash from financing activities of $2.1 million and $1.2 million, respectively, was primarily due to the draw of $21.0 million from the new Credit Facilities partially offset by the amount used to pay off the Company's previous debt facilities with RBC and related finance costs, as well as required interest payments on the long-term debt.

For the three months ended June 30, 2013, cash generated from financing activities of $8.0 million was primarily due to the drawdown of $9.5 million from the previous RBC facility offset by principal repayment of the term debt facility and related financing costs and interest obligations. For the six months ended June 30, 2013, cash generated from financing activities of $8.3 million was primarily due to the drawdown of $10.5 million from the previous RBC facility offset by $2.1 million of repayment of the term debt facility and capital lease obligations, finance costs and interest obligations.

Capital Resources
As at June 30, 2014, the Company had cash and cash equivalents and short-term investments of $2.1 million and access to the $29.0 million undrawn portion of its $50.0 million Credit Facilities.

The Company anticipates incurring additional capital expenditures for the purchase and installation of network assets and customer premise equipment. As economic conditions warrant, the Company may expand its network coverage into new Canadian markets using wireless or fibre optics and making additional investments in data centers and other IT services through acquisitions or expansion.

In June 2014, TeraGo entered into an agreement with a syndicate led by the National Bank of Canada ("NBC") that provides a $50.0 million credit facility that is principally secured by a general security agreement over the Company's assets.

The total $50.0 million facility, which matures June 6, 2017, is made up of the following:

- $5.0 million revolving facility which bears interest at prime plus a margin percent; As of June 30, 2014, $4.0 million of this facility remains undrawn;
- $20.0 million term facility which bears interest at prime plus a margin percent and is repayable in quarterly principal installments of $500 thousand starting June 30, 2014. As of June 30, 2014, this facility bears interest at 4.75% and this facility has been fully drawn; and
- $25.0 million available for funding acquisitions and will bear interest at prime plus a margin percent and is repayable in quarterly principal installments of 2.5% of the aggregate amount outstanding. As of June 30, 2014, this facility remains undrawn.
- The interest rate margin percent is determined each quarter following the delivery of the Company's financial statements and a compliance certificate. The interest rate ranges from prime plus 1.0 % to 1.75%.

The Company incurred financing fees of $0.4 million which have been deferred and amortized using the effective interest method over the term of the debt. The NBC facility is subject to certain financial and non-financial covenants which the Company is in compliance with at June 30, 2014. Under this facility, principal payments could also be accelerated depending on the generation of excess cash flow by the Company, as defined, which will be calculated and due not later than 120 days after the end of each fiscal year.

As at December 31, 2013, the Company had a credit facility agreement with the Royal Bank of Canada ("RBC") that consisted of an operating line of credit and certain term facilities, of which $18.5 million was drawn at December 31, 2013. The RBC facility was repaid in the second quarter of 2014 with the proceeds received from the NBC facility. The Company recorded total finance costs of $0.6 million related to the write-off of unamortized deferred finance costs and unwinding fees.

Management believes the Company's current cash, short-term investments, anticipated cash from operations, access to the undrawn portion of debt facilities and its access to additional financing in the form of debt or equity will be sufficient to meet its working capital and capital expenditure requirements for the foreseeable future.

Contractual Obligations
The following table is a summary of our contractual obligations at June 30, 2014 that are due in each of the next five years and thereafter.

	Less than 1 year	1 - 3 years	4-5 years	After 5 years	Total
Principal payments on long-term debt	$ 2,292	$ 6,732	$ 12,352	$ -	$ 21,376
Operating leases	3,239	9,372	4,531	3,334	20,476
Purchase obligations	3,545	-	-	-	3,545
Total	$ 9,076	$ 16,104	$ 16,883	$ 3,334	$ 45,397

Off-Balance Sheet Arrangements
As of June 30, 2014, the Company had no off-balance sheet arrangements apart from operating leases noted above.

Transactions with Related Parties
The Company provides services to Canlan Ice Sports Corporation whose Chairman of the Board of Directors, Grant Ballantyne, is one of the Directors of the Company. Revenue from this customer for the three and six months ended June 30, 2014 was $16 thousand (2013 - $14 thousand) and $32 thousand (2013 - $27 thousand), respectively. Accounts receivable from this customer as at June 30, 2014 was $2 thousand (2013 - $6 thousand).

The terms governing these related party transactions are consistent with those negotiated on an arm's length basis with non-related parties.

Share Capital
TeraGo's authorized share capital consists of an unlimited number of Common Shares, an unlimited number of Class A Non-Voting Shares and two Class B Shares. A detailed description of the rights, privileges, restrictions and conditions attached to the authorized shares is included in the Company's 2013 Annual Information Form, a copy of which can be found on SEDAR at www.sedar.com.

As of June 30, 2014, there were 11,613,811 Common Shares and two Class B Shares outstanding. In addition, as of June 30, 2014, there were 949,364 Common Shares issuable upon exercise of TeraGo stock options.

Restricted Cash
The restricted cash is segregated for the period of a tax indemnity to a former officer in connection with the Company's initial public offering on June 18, 2007, and is invested in a guaranteed investment certificate. The related accrued interest is included in short-term investments. The indemnity is described in note 9 of the Company's 2013 Consolidated Financial Statements and the indemnity period expires in June, 2015. In the second quarter of 2014, the Company received a notice of a claim against the tax indemnity from the former officer relating to the sale of 189,496 Common Shares. The Company estimated the cost of the indemnity to be paid from the $0.8 million maximum allocated to the former officer and recorded stock-based compensation expense of $0.6 million related to this claim in the first quarter of 2014. The final settlement of the claim amount is still being evaluated. The offsetting liability is included in Accounts payable and accrued liabilities as at June 30, 2014.

RISK FACTORS

For a discussion of the risks and uncertainties currently known to management which could have a material impact on the financial condition and results of operation of TeraGo, please refer to the "Risk Factors" section in our annual MD&A for the year ended December 31, 2013 on www.sedar.com. The discussion, by its nature, is not all-inclusive. It is not a guarantee that other factors will or will not affect TeraGo in the future.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

Certain new standards, interpretations, amendments and improvements to existing standards have been issued by the IASB and become applicable at a future date. The standards impacted that may be applicable to the Company are as follows:

(i) ***Financial Instruments***
In November 2009, the IASB issued IFRS 9, Financial Instruments ("IFRS 9") and in October 2010, the IASB

published amendments to IFRS 9. IFRS 9, which replaces IAS 39, Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The new standard removes the January 1, 2015 effective date of IFRS 9. The new mandatory effective date will be January 1, 2018.

(ii) ***Annual Improvements to IFRSs 2010-2013 Cycle – various standards***
In December 2013, the IASB issued narrow-scope amendments to a total of nine standards as part of its annual improvements process. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014.

(iii) ***Revenue from Contracts with Customers***
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which provides guidance on a new five step revenue recognition model that applies to contracts with customers. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on January 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

The Company is assessing the impact of these new standards on its consolidated financial statements and on its business.

CRITICAL ACCOUNTING ESTIMATES

The unaudited condensed interim consolidated financial statements are in compliance with International Accounting Standard 34 ("IAS 34"), Interim Financial Reporting. The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. Estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the consolidated financial statements. The preparation of financial statements in accordance with IAS 34 also requires management to exercise judgment in applying the Company's accounting policies.

The Company's critical accounting estimates have been set out in note 2 of the Company's 2013 Consolidated Financial Statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Our President and Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining TeraGo's disclosure controls and procedures and internal control over financial reporting.

TeraGo's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to TeraGo is made known to management by others, particularly during the period in which the interim filings are being prepared and that information required to be disclosed by TeraGo in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. TeraGo's disclosure controls and procedures includes controls and procedures designed to ensure that information required to be disclosed by TeraGo in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure.

TeraGo's internal control over financial reporting are designed to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP. TeraGo's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of TeraGo; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the Company's GAAP, and that receipts and expenditures of TeraGo are being made only in accordance with authorizations of management and directors of TeraGo; and (iii) are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of TeraGo's assets that could have a material effect on TeraGo's financial statements.

The control framework used to design TeraGo's internal control over financial reporting is based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may change.

There were no changes in the Company's internal controls over financial reporting during the three and six months ended June 30, 2014 that have materially affected or are reasonably likely to materially affect internal controls over financial reporting.

SIGNIFICANT REGULATORY DEVELOPMENTS

Consultation on Spectrum Utilization Policies and Technical Requirements Related to Backhaul Spectrum in Various Bands

On November 30, 2012, Industry Canada released its consultation on spectrum utilization policies and technical requirements related to backhaul spectrum in various bands. The consultation seeks comments on the possibility of making additional spectrum available for backhaul, as well as views on updating standards and policies. Submissions were due by April 22, 2013 and Industry Canada provided interested parties with an opportunity to reply to comments from other parties until May 24, 2013. The Company has submitted its response in relation to this consultation.

EXECUTIVE MANAGEMENT CHANGES

Effective May 28, 2014, Ian Thorburn, Vice President of Legal and effective June 12, 2014, Kevin Hickey, VP Operation were no longer with the Company.

Effective August 5, 2014, Greg Lander was hired as Vice President of Sales.

DEFINITIONS – KEY PERFORMANCE INDICATORS, IFRS, ADDITIONAL GAAP AND NON-GAAP MEASURES

Key Performance Indicators

ARPU

The term "ARPU" refers to the Company's average revenue per customer. The Company believes that ARPU is useful supplemental information as it provides an indication of our revenue from an individual customer on a per month basis. In addition, ARPU calculated by customer is a more appropriate performance indicator for a Company that offers multi lines of products. ARPU is not a recognized measure under IFRS and, accordingly, investors are cautioned that ARPU should not be construed as an alternative to revenue determined in accordance with IFRS as an indicator of our financial performance. The Company calculates ARPU by dividing our service revenue by the average number of customers in service during the period and we express ARPU as a rate per month. TeraGo's method of calculating ARPU may differ from other issuers and, accordingly, ARPU may not be comparable to similar measures presented by other issuers.

Churn

The term "churn" or "churn rate" is a measure, expressed as a percentage, of customer cancellations in a particular month. Churn represents the number of customer cancellations per month as a percentage of total number of customers during the month. The Company calculates churn by dividing the number of customer cancellations during a period by the total number of customers during the period. Churn and churn rate are not recognized measures under IFRS and, accordingly, investors are cautioned in using it. TeraGo's method of calculating churn and churn rate may differ from other issuers and, accordingly, churn may not be comparable to similar measures presented by other issuers.

IFRS Measures

Service revenue
Service revenue is generated from Internet access and data connectivity services that are sold on a subscription basis. This revenue is recurring and contracted with terms from one to three years and these contracts are typically renewable automatically unless notice of non-renewal is received 60 days prior to expiry.

Other revenue
Other revenue that customers are charged that is non-recurring such as installation fees and early termination fees. The installation fee charged to customers is a one-time set up fee and typically decreases with longer-term contracts.

Cost of Services
Cost of services consists of Direct cost of services and Salaries and related costs – cost of services and includes utilities expenses for the data centers.

Direct cost of services
Direct cost of services consists of expenses related to delivering service to customers and servicing the operations of our networks. These expenses include costs for the lease of intercity facilities to connect our cities, Internet transit and peering costs paid to other carriers, network real estate lease expense, spectrum lease expenses, network maintenance expenses, and lease expenses for the data centers.

Gross profit margin %
Gross profit margin % consists of Gross profit margin divided by Revenue where Gross profit margin is Revenue less Cost of Services.

Other operating expenses
Other operating expenses includes sales commission expense, advertising and marketing expenses, travel expenses, administrative expenses including insurance and professional fees, communication expenses and rent expenses for office facilities.

Foreign exchange gain (loss)
Foreign exchange gain (loss) relates to the translation of monetary assets and liabilities into Canadian dollars using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in net income in the period.

Finance costs
Finance costs consist of interest charged on our short- and long-term debt, amortization of deferred financing costs including expenses associated with closing our long-term debt facility and accretion expense on the Company's decommissioning and restoration obligations. The deferred financing costs are amortized using the effective interest method over the term of the loan.

Finance income
Finance income consists of interest earned on our cash and cash equivalent and short-term investment balances.

Additional GAAP Measures

Earnings (loss) from operations
Earnings (loss) from operations exclude foreign exchange gain (loss), income taxes, finance costs and finance income. We include earnings (loss) from operations as an additional GAAP measure in our consolidated statement of earnings. We consider earnings (loss) from operations to be representative of the activities that would normally be regarded as operating for the Company. We believe this measure provides relevant information that can be used to assess the consolidated performance of the Company and therefore, provides meaningful information to investors.

Non-GAAP Measures

EBITDA and Adjusted EBITDA
The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. The Company believes that EBITDA and Adjusted EBITDA are useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset

depreciation and amortization. The Company believes that Adjusted EBITDA is useful additional information to management, the Board and investors as it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not imply they are non-recurring. The Company calculates EBITDA as earnings before deducting interest, taxes, depreciation and amortization, foreign exchange gain or loss, finance costs, finance income, gain or loss on disposal of network assets, property and equipment and stock-based compensation. In addition, the Company excludes restructuring, acquisition-related and integration costs in its calculation of Adjusted EBITDA. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of our financial performance or as a measure of our liquidity and cash flows. EBITDA and Adjusted EBITDA do not take into account the impact of working capital changes, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the consolidated statements of cash flows.

TeraGo's method of calculating EBITDA and Adjusted EBITDA may differ from other issuers and, accordingly, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Results of Operations – EBITDA" for reconciliation of net earnings (loss) to EBITDA and Adjusted EBITDA.