

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and financial condition of TERAGO Inc for the three months ended March 31, 2024, which we prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). 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 May 15, 2024, and should be read in conjunction with our unaudited interim condensed consolidated financial statements for the three months ended March 31, 2024, and the notes thereto. This MD&A should also be read in conjunction with our annual MD&A and audited consolidated financial statements for the years ended December 31, 2023 and 2022, which we prepared in accordance with IFRS and are available on SEDAR at www.sedarplus.ca.

Unless otherwise indicated, all dollar amounts are expressed in thousands of Canadian dollars, except per share amounts and percentages.

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 and the "Risk Factors" section in this MD&A. 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 – Key Performance Indicators, 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 the 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. This MD&A includes, but is not limited to, forward looking statements regarding TERAGO's growth and 5G fixed wireless access for wide area broadband along with 5G Private Wireless Networks business strategy, strategic plan and partnerships, acquisition opportunities, investments in 5G, and 5G technical trials with 5G equipment. 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 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, uncertainties and assumptions, including the risk that TERAGO's growth strategy and strategic plan will not generate the results intended by management, opportunities for expansion and acquisitions not being available or at unfavourable terms, trends in the global connectivity, decisions from government agencies on the spectrum licences that TERAGO holds, including those from Innovation, Science, and Economic Development Canada ("ISED"), may not be favourable to the Company, the results of technical trials for 5G equipment not being satisfactory, the Company's plans and strategic partnerships associated with 5G may not materialize, the economic viability of any potential 5G services may not exist, a lack of capital to take advantage of certain opportunities including opportunities to provide potential 5G services, and those risks set forth in the "Risk Factors" section of this MD&A and other uncertainties and potential events. In particular, if any of the risks materialize, the expectations and the predictions 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, TERAGO does 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.

This MD&A should be viewed in conjunction with the Company's other publicly available filings including the Annual Information Form, copies of which can be obtained electronically on SEDAR at www.sedarplus.com or our website at www.terago.ca.

RISKS AND UNCERTAINTIES

A complete description of the risks and uncertainties affecting the Company is included in the most recently filed 2023 Annual Information Form. Additional risks and uncertainties not presently known to us or that we currently consider immaterial also may impair our business and operations and cause the price of the common shares to decline. If any of the noted risks actually occur, our business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the common shares could decline, and shareholders may lose all or part of their investment.

OVERVIEW

Financial Highlights

(in thousands of dollars, except with respect to gross profit margin, loss per share, Backlog MRR, and ARPU)

- Total revenue marginally decreased 0.6% to \$6,472 for the three months ended March 31, 2024 compared to \$6,509 in the same quarter in the prior year period. The decrease in revenue being the result of the current year period including one time customer credits and the prior year period including \$11 of "Other Revenue" related to post transaction support services.
- Adjusted EBITDA^{1,2} was \$930 for the three months ended March 31, 2024 compared to \$827 for the same period in 2023. The increase is mainly as a result of optimization of cost structure and driving efficiencies and smart profitable growth in the business.
- Net loss for the three months ended March 31, 2024 was \$3,547 compared to a loss of \$2,549 in the same period in 2023. The increased net loss position is the result of higher long term debt interest costs due to additional drawdowns in the prior year and higher restructuring related expenses in the current year period.

Key Developments

- Backlog MRR¹ in the connectivity business decreased year over year to \$48,328 as of March 31, 2024, compared to \$132,929 for the same period in 2023. The decrease in backlog MRR¹ was a combination of onboarding of new customers with faster installations and the Company's focus on profitable revenue generation.
- ARPU¹ for the connectivity business was \$1,158 in Q1 2024 compared to \$1,101 for the same period in 2023. The improvement in ARPU¹ is a result of changes in customer base and product mix and a new pricing strategy implemented in the prior quarter.

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

² See "Adjusted EBITDA" for a reconciliation of net loss to Adjusted EBITDA

TERAGO OVERVIEW

TERAGO provides wireless connectivity and private 5G wireless networking services to businesses operating across Canada. The Company holds 2120 MHz of exclusive spectrum licenses in the 24 GHz and 38 GHz spectrum bands, which it utilizes to provide secure and reliable enterprise grade networking and connectivity services. TERAGO serves over 1900 Canadian and Global businesses operating in major markets across Canada, including Toronto, Montreal, Calgary, Edmonton, Vancouver, Ottawa, and Winnipeg, and has been providing wireless services since 1999. For more information about TERAGO, please visit www.terago.ca.

TERAGO'S NETWORK

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, high reliability and redundancy, 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 has been designed to eliminate single points of failure and the Company backs its services with customer service level commitments, including 99.99% service availability and 24 x 7 telephone and email access to technical support specialists.

TERAGO offers Canadian businesses high performance unlimited and usage-based dedicated Internet access with upload and download speeds up to 10 gigabit per second ("Gbps"). TERAGO enhances service performance by minimizing the number of networks between its customers and their audiences, using peering arrangements with multiple tier-one carriers to connect to the Internet.

To deliver its services, the Company has built and operates a carrier-grade, 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, as well as diverse fiber path for 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.

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.

TERAGO's Radio Frequency Spectrum

24-GHz and 38-GHz Wide-area Licences

The Company owns a national spectrum portfolio of exclusive 24 GHz and 38 GHz wide-area spectrum licences which covers major regions throughout Canada including 2,120 MHz of spectrum across Canada's 7 largest cities and has a total coverage of approximately 23.5 million of the population in Canada (or nearly 10 million households)¹. This spectrum is used to deploy point-to-point and point-to-multipoint microwave radio systems, interconnecting core hubs in ring architectures (where possible) to backhaul metro area network traffic and in the access network or "last mile" to deliver high capacity (speeds of 20Mbps to 1Gbps) IP-based services for business, government and mobile backhaul.

¹ Based on 2016 Canadian data cited by ISED.

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Three Months Ended March 31, 2024

In June 2019, Innovation, Science, and Economic Development Canada ("ISED"), released its *Decision* on Releasing Millimetre Wave Spectrum to Support 5G. Among other things in its decision document, ISED reported that existing licensees of the 38 GHz band are eligible to apply for new "flexible use" licenses for an equal amount of spectrum upon expiry of the current 10-year license term, or earlier upon voluntary license cancellation. Flexible use licenses will permit licensees to deploy mobile systems to support 5G, while retaining the current ability to deploy on a fixed wireless basis. The Company holds 25 of 27 issued 38 GHz spectrum licenses in Canada.

In 2022, ISED published several Consultations which proposed updating ISED's approach and planned activities that could impact the Company's 24-GHz and 38-GHz spectrum licenses.

In June 2022, ISED published a Consultation on Policy and Licensing Framework for Spectrum in the 26GHz, 28GHz and 38GHz Bands. Under this Consultation ISED sought comments on the proposed policy and licensing considerations, including auction format, rules, and processes, as well as on conditions of license for spectrum in the 26, 28 and 38 GHz Bands.

In August 2022, ISED published a Consultation on a Non-Competitive Local Licensing Framework, Including Spectrum in the 3900-3980 MHz Band and Portions of the 26, 28 and 38 GHz Bands. Under this Consultation ISED sought comments on a proposed non-competitive local (NCL) licensing framework, with the intent to apply that framework to release spectrum in the 3900-3980 MHz Band (referred to as the 3900 MHz Band) and portions of the 26, 28 GHz and 38 GHz Bands.

In September 2022, ISED published a Consultation on the Spectrum Outlook 2022 to 2026. Under this Consultation ISED sought comments on its proposed overall approach and planned activities for spectrum over the next five years. In this document, ISED proposed that the 24 GHz Band, among several others has been designated as Priority 2 for future release for commercial mobile use. A definitive timeline for the release of spectrum bands designated as Priority 2 and Priority 3 has not yet been confirmed by ISED.

In August 2023, ISED updated its "Spectrum Outlook 2023 to 2027" providing additional clarity and insight as to ISED's overall approach and planning activities related to its management of Canada's radio spectrum over the next five years. The announcement included upgrading 24 GHz mmWave spectrum to Priority 1 which means that ISED plans to release and/or initiate a consultation.

In November 2023, ISED published a Consultation on the License Renewal Process for the 24 GHz and 38 GHz Bands and Preliminary Consultation on Changes to the 24.25 – 26.5 GHz Band. All responses were submitted by December 19, 2023. ISED is reviewing the comments and will publish its decision on this consultation.

For additional information on these Consultations and to review the response letter of the Company or other stakeholders, please refer to ISED's Consultation webpage: https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/h_sf08436.html.

For further details on our licensed spectrums, please refer to the Company's most recently filed AIF on SEDAR.

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Three Months Ended March 31, 2024

RESULTS OF OPERATIONS

Comparison of the three months ended March 31, 2024 and 2023

(in thousands of dollars, except with respect to gross profit margin, loss per share, Backlog MRR, and ARPU)

| (unaudited) | Three months ended March 31 | |
|---|-----------------------------|---------|
| | 2024 | 2023 |
| Financial | | |
| Total Revenue | \$ 6,472 | 6,509 |
| Cost of Services ¹ | \$ 1,751 | 1,531 |
| Gross Profit Margin ¹ | 72.9% | 76.5% |
| Salaries and Related Costs ¹ | \$ 2,669 | 2,846 |
| Other Operating Expenses ¹ | \$ 1,122 | 1,305 |
| Adjusted EBITDA ^{1,2} | \$ 930 | 827 |
| Net Loss | \$ (3,547) | (2,549) |
| Basic loss per share | \$ (0.18) | (0.13) |
| Diluted loss per share | \$ (0.18) | (0.13) |
| Operating | | |
| <u>Backlog MRR¹</u> | | |
| Connectivity | \$ 48,328 | 132,929 |
| <u>Churn Rate¹</u> | | |
| Connectivity | 0.8% | 0.9% |
| <u>ARPU¹</u> | | |
| Connectivity | \$ 1,158 | 1,101 |

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

2 See "Adjusted EBITDA" for a reconciliation of net loss to Adjusted EBITDA

Management's Discussion and Analysis

Three Months Ended March 31, 2024

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

(in thousands of dollars, except with respect to gross profit margin, loss per share, Backlog MRR, and ARPU)

Revenue

Total revenue marginally decreased 0.6% to \$6,472 for the three months ended March 31, 2024 compared to \$6,509 for the same period in 2023. The decrease in total revenue is a combination of one-time adjustments to revenue in the current year period and the prior year period including "Other Revenue" related to post transaction support services.

Cost of Services and Gross Profit Margin %¹

For the three months ended March 31, 2024, cost of services increased by 14.4% to \$1,751 compared to \$1,531 in the same period in 2023. The increase was primarily driven by a one-time adjustment (\$170) in the prior year period related to the divestiture of the Cloud and Colocation lines of business. Gross Profit Margin was 72.9% in the first three months of 2024, compared to 76.5% in same period of 2023.

Salaries and related costs and other operating expenses ("SG&A")¹

For the three months ended March 31, 2024, SG&A decreased by 8.7% to \$3,792 compared to \$4,151 for the same period in 2023. The decrease in SG&A was due to year over year was driven by overall lower operating costs (both people and non-people costs) as the Company executing further optimization of its cost structure by reducing costs relative to its level of business activity and driving efficiencies in the business.

Adjusted EBITDA^{1,2}

Adjusted EBITDA was \$930 for the three months ended March 31, 2024 compared to \$827 for the same period in 2023. The decrease in backlog MRR¹ was a combination of onboarding of new customers with faster installations and the Company's focus on profitable revenue generation. As the revenues of the Company grow, we expect that the expenses as a percentage of revenues will decline over time which continue to favourably impact the Adjusted EBITDA.

Net loss

Net loss for the three months ended March 31, 2024 was \$3,547 compared to a loss of \$2,549 in the same period in 2023. The higher net loss was driven primarily by the higher financing costs (\$659 higher in 2024 vs. 2023) as three additional draw downs of funds through our existing term debt facility were made in the remainder of prior year, and higher restructuring costs in the quarter (\$598 higher in 2024 vs. 2023), partially offset by lower other operating expenses.

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

² Adjusted EBITDA is a Non-GAAP measure. See "Definitions – Key Performance Indicator, IFRS, Additional GAAP and Non-GAAP Measures."

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Three Months Ended March 31, 2024

The table below reconciles Adjusted EBITDA^{1,2} to net loss for the three months ended March 31, 2024 and 2023.

| (in thousands of dollars, unaudited) | Three months ended March 31 | |
|--|------------------------------------|----------------|
| | 2024 | 2023 |
| Adjusted EBITDA^{1,2} | \$ 930 | 827 |
| Deduct: | | |
| Depreciation of network assets, property and equipment and amortization of intangible assets | 2,357 | 2,479 |
| Stock-based compensation expense | 183 | 202 |
| Restructuring and other costs | 618 | 20 |
| Loss from operations | (2,228) | (1,874) |
| Add/deduct: | | |
| Loss on disposal of network assets | 14 | 8 |
| Impairment of other assets and related charges | 48 | 60 |
| Foreign exchange loss | 10 | 30 |
| Finance costs | 1,303 | 644 |
| Finance income | (56) | (67) |
| Net loss for the period | \$ (3,547) | (2,549) |

Backlog MRR¹

Connectivity backlog MRR was \$48,328 as at March 31, 2024, compared to \$132,929 as at March 31, 2023. The decrease in backlog MRR¹ was a combination of onboarding of new customers with faster installations and the Company's focus on profitable revenue generation.

ARPU¹

For the three months ended March 31, 2024, connectivity ARPU was \$1,158 compared to \$1,101 for the same period in 2023. The increase in ARPU is a result of the Company's ongoing focus to attract mid-market and large-scale, predominantly continued multi-location customers.

Churn¹

For the three months ended March 31, 2024, connectivity churn was lower to 0.8% compared to 0.9% for the same period in 2023. The decrease in customer churn was due to the continued execution of the Company's value creation strategy to focus on mid-market and large-scale customers, as well as implementing new strategies in regard to customers renewals and retention. The Company continues to review, modify and improve its customer experience practices with a focus on reducing customer churn.

Finance costs

For the three months ended March 31, 2024, finance costs increased 102% to \$1,303 compared to \$644 for the same period 2023. The increase is primarily as a result of the interest costs related to the additional drawdowns of funds through our existing term debt facility which were made from the second quarter of fiscal 2023.

Depreciation and amortization

For the three months ended March 31, 2024, depreciation of network assets, property and equipment and amortization of intangibles decreased 4.9% to \$2,357 compared to \$2,479 for the same period in 2023. The decrease was a result of lower additions in current year period.

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

² Adjusted EBITDA is a non-GAAP measure. See "Definitions – Key Performance Indicator, IFRS, Additional GAAP and Non-GAAP Measures."

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Three Months Ended March 31, 2024

Summary of Quarterly Results

The following table sets out our selected financial and operating information for each of the eight most recent quarters, the latest of which ended March 31, 2024. Our quarterly operating results have historically fluctuated and may continue to fluctuate in the future. Therefore, we believe that past operating results and period-to-period comparisons should not be relied upon as an indication of the Company's future performance.

All financial results are in thousands, except for Loss per Share, Gross Profit Margin, Backlog MRR, Churn Rate, and ARPU

| (unaudited) | | <u>Q1 - 24</u> | <u>Q4 - 23</u> | <u>Q3 - 23</u> | <u>Q2 - 23</u> | <u>Q1 - 23</u> | <u>Q4 - 22</u> | <u>Q3 - 22</u> | <u>Q2 - 22</u> |
|---|----|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Financial | | | | | | | | | |
| Revenue | \$ | 6,472 | 6,536 | 6,491 | 6,516 | 6,509 | 6,335 | 6,632 | 6,731 |
| Gross Profit Margin % ¹ | | 72.9% | 72.4% | 72.4% | 72.0% | 76.5% | 75.1% | 72.9% | 72.8% |
| Adjusted EBITDA ² | \$ | 930 | 1,190 | 918 | 500 | 827 | 1,164 | 782 | 1,019 |
| Net Profit (loss) | \$ | (3,547) | (3,561) | (3,087) | (3,988) | (2,549) | (2,406) | (2,913) | (3,112) |
| Basic loss per share | \$ | (0.18) | (0.18) | (0.16) | (0.20) | (0.13) | (0.12) | (0.15) | (0.16) |
| Diluted loss per share | \$ | (0.18) | (0.18) | (0.16) | (0.20) | (0.13) | (0.12) | (0.15) | (0.16) |
| Basic weighted average number of shares outstanding (in 000s) | | 19,858 | 19,805 | 19,786 | 19,755 | 19,737 | 19,720 | 19,700 | 19,683 |
| Diluted weighted average number of shares outstanding (in 000s) | | 19,858 | 19,805 | 19,786 | 19,755 | 19,737 | 19,720 | 19,700 | 19,683 |
| Operating | | | | | | | | | |
| <u>Backlog MRR¹</u> | | | | | | | | | |
| Connectivity | \$ | 48,328 | 65,363 | 75,963 | 85,471 | 132,929 | 178,948 | 138,893 | 133,436 |
| <u>Churn Rate¹</u> | | | | | | | | | |
| Connectivity | | 0.8% | 1.0% | 1.3% | 1.2% | 0.9% | 0.9% | 0.7% | 0.9% |
| <u>ARPU¹</u> | | | | | | | | | |
| Connectivity | \$ | 1,158 | 1,164 | 1,127 | 1,104 | 1,101 | 1,063 | 1,099 | 1,118 |

Seasonality

The Company's net customer growth, with respect to its connectivity business, is typically impacted adversely by weather conditions as 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 supplier and landlord agreements requiring annual payments in the first quarter, annual rate increases in existing long-term contracts, payments of prior year period end accruals, such as variable compensation, audit and other compliance costs and the restart on January 1st of payroll taxes and other levies related to employee compensation.

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

² Adjusted EBITDA is a non-GAAP measure. See "Definitions – Key Performance Indicator, IFRS, Additional GAAP and Non-GAAP Measures."

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal source of liquidity is cash generated from operations, which is supplemented by borrowings under its existing term debt facility. In addition to these sources, the Company can use equipment leases to meet its capital expenditure requirement as needed. The Company sets priorities on its uses of available funds based on short-term operational requirements, expenditures to continue to operate a robust network, while also considering its long-term contractual obligations and returning value to its shareholders. The Company believes it continues to have access to the capital markets and as part of its financing strategy, the Company regularly reviews its capital structure, cost of capital, and the needs for additional debt financing or raising equity capital.

The Company has a working capital deficit, which is typical in a capital-intensive business, and is not an indication of a lack of liquidity. The Company maintains adequate resources to meet daily cash requirements and has sufficient financial capacity to manage its day-to-day cash requirements and current obligations.

As at March 31, 2024, the Company had cash and cash equivalents of \$2,467, short-term investments of \$227 and access to a long term debt facility (described below), subject to the terms and conditions of the credit facilities.

The Company closed a USD \$20,000 term debt facility with CrowdOut Capital LLC on September 29, 2022. As at March 31, 2024, the Company still has USD \$6,550 available to draw from the facility.

The Company expects cash from operations and its sources of debt financing to be sufficient to meet its ongoing obligations. The Company is not aware of any trends or expected fluctuations in its liquidity that would impact its ongoing operations or financial conditions as of the date of this MD&A.

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

| (in thousands of dollars, unaudited) | Three months ended March 31 | |
|---|-----------------------------|--------------|
| | 2024 | 2023 |
| Statement of Cash Flows Summary | | |
| Cash inflows and (outflows) by activity: | | |
| Operating activities* | \$ 1,514 | (163) |
| Investing activities | (1,263) | (2,572) |
| Financing activities | (2,155) | (1,678) |
| Net cash outflows | (1,904) | (4,413) |
| Cash and cash equivalents, beginning of period | 4,381 | 6,220 |
| Change in cash due to foreign exchange* | (10) | (30) |
| Cash and cash equivalents, end of period | \$ 2,467 | 1,777 |

*Prior year figures have been adjusted to conform with current year presentation.

Operating Activities

For the three months ended March 31, 2024, cash generated from operating activities was \$1,514 compared to cash used in operating activities of \$163 for the same period in 2023. The increase was primarily due to strict management of working capital items.

Investing Activities

For the three months ended March 31, 2024, cash used in investing activities was \$1,263 compared to \$2,572 for the same period in 2023. The decrease in cash used in investing activities was mainly the result of decrease in purchase of fixed assets and process improvement software projects.

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Financing Activities

For the three months ended March 31, 2024, cash used in financing activities was \$2,155 compared to \$1,678 for the same period in 2023. The increase in cash used was a result of increased long-term debt interest payments in 2023 due to additional drawdowns in 2023.

Term Debt Facility

On September 29, 2022, the TERAGO entered into a credit agreement (the "Credit Agreement") with CrowdOut Capital LLC (the "lender") in the amount of USD \$ 20,000. The Credit Agreement is a drawdown facility, and terms include the following: Variable interest rate of Adjusted SOFR + 9.00%, serviced with monthly interest payments only for a term of 36 months. The Credit Agreement also includes a 1% annual rate standby fee for any amounts undrawn on the facility. The standby fee and interest amounts are payable monthly. At the conclusion of the loan term, there is an exit fee payable to the lender of up to a maximum of CAD \$1,000 calculated on a pro-rata basis determined by the amount of the facility that has been drawn down at the time of exit. In accordance with the Credit Agreement, TERAGO also issued to the lender 216,463 warrants for the purchase of common shares which vest on a pro-rata basis as the facility is drawn down. Each warrant will be exercisable for the purchase of one common share for a period of up to five years from the date of the Credit Agreement. The strike price for all warrants is CAD \$4.46 (based upon a 20% premium to the 30-day VWAP at the time of closing).

On October 3, 2022, the Company drew down the initial CAD \$6,694 (USD \$5,000) proceeds in conjunction with the terms of the Agreement, resulting in the vesting of 54,116 of the issued warrants. During the twelve months ended December 31, 2023, the Company made three additional draws (April 3, June 15, and November 27, 2023) totaling to CAD \$11,355 (USD \$8,450) upon approval of the Board of Directors, resulting in the vesting of an additional 91,429 of the issued warrants.

The Company has not taken any further draws during the three months ended March 31, 2024. On April 4, 2024, the Company drew down another installment on its debt facility in the amount of CAD \$743 (USD \$550) in conjunction with the terms of the agreement. The Company incurred an additional transaction fee of CAD \$11 (USD \$8) and CAD \$28 for the accrued exit fee upon the subsequent drawdown. The Company is in compliance with the financial covenants as at March 31, 2024.

FINANCIAL RISK MANAGEMENT

In the normal course of our business, we engage in operating and financing activities that generate risks in the following primary areas:

Liquidity Risk

Liquidity risk is the risk that we are not able to meet our financial obligations as they fall due. One of management's primary goals is to manage liquidity risk by continuously monitoring actual and projected cash flows to ensure that we have sufficient liquidity to meet our liabilities when due, under both normal and financially stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In addition to cash generated from operations, which represents its principal source of liquidity, the Company has access to its current term debt facility.

The Company is not aware of any trends or expected fluctuations in its liquidity that would impact its ongoing operations or financial conditions as of the date of this MD&A.

Credit Risk

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

We have credit risk relating to cash and cash equivalents and short-term investments, which we manage by dealing with large chartered Canadian banks and investing in highly liquid investments.

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. We review accounts receivable balances regularly and reduce amounts to their expected realizable values by recognizing an allowance for doubtful accounts in the period the account is estimated not to be fully collectible. In order to minimize the credit risk on accounts receivables, our extension of credit

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to customers involves review and approval by senior management. 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 further minimized as the Company does not have any significant customer concentration and has a diverse customer base located across various provinces in Canada.

Interest Rate Risk

Interest rate risk arises because of the fluctuation in interest rates. We are, or have been, subject to interest rate risk on our cash and cash equivalents, short-term investments and term debt facility. We are exposed to interest rate risk on our term debt facility since the interest rates applicable are variable and are, therefore, exposed to cash flow risks resulting from interest rate fluctuations. If a shift in interest rates of 1% were to occur, the interest expense would increase by approximately \$48 due to the fluctuation and this would be recorded in profit or loss.

Currency Risk

Currency risk is the risk that fluctuations in foreign exchange rates could impact our results from operations. We are subject to a currency risk, primarily between the Canadian dollar and the U.S. dollar. Currently, we do not enter into foreign exchange contracts to manage this exposure but may do so in the future. As a result, we have currency exposure with respect to items denominated in foreign currencies, the significant of which is our term debt facility. If a shift in foreign currency exchange rates of 1% were to occur, the foreign exchange gain or loss could change by approximately \$183 due to the fluctuation and this would be recorded in profit or loss.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates.

Our significant accounting policies are fully described in Note 3 to our consolidated financial statements for the years ended December 31, 2023 and 2022 which are available on SEDAR (www.sedarplus.ca). Certain accounting policies are particularly important to the reporting of our financial position and results of operations and require the application of significant judgment by our management. An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different, estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could have a material impact on the financial statements. We believe that there have been no significant changes in our critical accounting estimates for the three months ended March 31, 2024 from the years presented in our annual consolidated financial statements for the years ended December 31, 2023 and 2022.

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2024, the Company adopted the following new standards and amendments to IFRS:

Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

IAS 1 was amended to clarify the classification of liabilities as current or non-current to improve the information a company provides about long-term debt with covenants. The Company adopted these amendments effective January 1, 2024 and it did not have any material impact on the unaudited condensed interim consolidated financial statements.

OUTSTANDING SHARE DATA

As of May 8, 2024, there are 19,886,960 Common Shares issued and outstanding.

In addition, as of March 31, 2024 there were: (i) 931,345 stock options outstanding with exercise prices ranging from \$1.60 to \$5.44 per share; (ii) 15 thousand Common Shares issuable upon vesting of restricted share units; (iii) 16,956 Common Shares issuable upon vesting of performance share units; and (iv) 216,463 warrants issued to the lender of the debt facility in the fourth quarter of 2022 for the purchase Common Shares which vest on a pro-rata basis as the

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facility in drawn down. Due to the additional draw down of the debt facility on April 4, 2024, an additional 13% (5,951) of lender warrants vested, resulting in total of 70% (151,496) of the lender warrants having now vested.

CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At March 31, 2024, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective and that material information relating to the Company was made known to them and was recorded, processed, summarized, and reported within the time periods specified under applicable securities legislation.

Internal controls over financial reporting

Management is responsible for designing and maintaining internal controls over financial reporting ("ICFR") as defined under National Instrument 52-109. At March 31, 2024, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these internal controls and procedures was effective in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS using the Committee of Sponsoring Organizations of the Treadway Commission Framework (2013).

The Chief Executive Officer and the Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, whether or not there were changes to its ICFR during the three months ended March 31, 2024, that have materially affected or are reasonably likely to materially affect, the Company's ICFR. No such changes were identified through their evaluation.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that its objectives are met. Due to its inherent limitations in all systems, no evaluations of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures and our internal control over financial reporting are effective in providing reasonable, not absolute assurance that the objectives of our control systems have been met.

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

IFRS Measures

Cost of services

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 and lease and utility expenses for the data centres and salaries and related costs of staff directly associated with the cost of services.

Gross profit margin %

Gross profit margin % consists of gross profit margin divided by revenue where gross profit margin is revenue less cost of services.

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

Adjusted EBITDA

The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation, and amortization. The Company believes that Adjusted EBITDA is 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 and 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 necessarily imply they are non-recurring, infrequent or unusual. Adjusted EBITDA is also used by some investors and analysts for the purpose of valuing a company. The Company calculates Adjusted 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, impairment of property, plant, & equipment and intangible assets, stock-based compensation and restructuring costs. Investors are cautioned that 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. Adjusted EBITDA does 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.

Adjusted EBITDA does not have any standardized meaning under GAAP. TERAGO's method of calculating Adjusted EBITDA may differ from other issuers and, accordingly, Adjusted EBITDA may not be comparable to similar measures

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presented by other issuers. See "Results of Operations – Adjusted EBITDA" for reconciliation of net loss to Adjusted EBITDA.

Salaries and related costs

Salaries and related costs includes regular payroll related expenses, commissions and consulting fees. All share based compensation, restructuring, other related costs are excluded from Salaries and related costs.

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, maintenance expenses and rent expenses for office facilities. All restructuring and other related costs are excluded from other operating expenses.

Key Performance Indicators

Backlog MRR

The term "Backlog MRR" is a measure of contracted monthly recurring revenue (MRR) from customers that have not yet been provisioned. The Company believes backlog MRR is useful additional information as it provides an indication of future revenue. Backlog MRR is not a recognized measure under IFRS and may not translate into future revenue, and accordingly, investors are cautioned in using it. The Company calculates backlog MRR by summing the MRR of new customer contracts and upgrades that are signed but not yet provisioned, as at the end of the period. TERAGO's method of calculating backlog MRR may differ from other issuers and, accordingly, backlog MRR may not be comparable to similar measures presented by other issuers.

ARPU

The term "ARPU" refers to the Company's average revenue per customer per month in the period. 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. 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 total revenue before revenue from early terminations by the number of customers in service during the period and we express ARPU as a rate per month. TERAGO's method of calculating ARPU has changed from the Company's past disclosures to exclude revenue from early termination fees, where ARPU was previously calculated as revenue divided by the number of customers in service during the period. TERAGO's method 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. The Company calculates churn by dividing the number of customer cancellations during a month by the total number of customers at the end of the month before cancellations. The information is presented as the average monthly churn rate during the period. The Company believes that the churn rate is useful supplemental information as it provides an indication of future revenue decline and is a measure of how well the business is able to renew and keep existing customers on their existing service offerings. 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.