MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE THREE MONTHS AND FISCAL YEAR ENDED DECEMBER 31, 2023

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 March 6, 2024, and should be read in conjunction with our consolidated financial statements for the twelve months ended December 31, 2023, and the notes thereto. 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 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.

OVERVIEW

Financial Highlights

- Connectivity revenues for the fourth quarter were $6.5 million, slight increase from prior quarter and compared to $6.3 million the same quarter in the prior year. The increase in revenues from the same quarter in the prior year is the result of an overall increase in ARPU[1] in the current year as a result of strategic pricing initiatives and change in product mix year over year. Total annual connectivity revenue for 2023 was $26.0 million compared to $25.9 million in the prior year (increase of $0.1 million). For the three months ended December 31, 2023, connectivity ARPU[1] was $1,164 compared to $1,063 for the same period in 2022. For the year ended December 31, 2023, connectivity ARPU[1] was $1,125 compared to $1,085 for the same period in 2022. Increase in ARPU[1] is a result of the Company's ongoing focus to attract mid-market and large scale, predominantly multi-location customers combined with changes in pricing strategy.

- Total revenues for the three months ended December 31, 2023, were $6.5 million compared to $6.3 million for the same period in 2022. Total annual revenue in 2023 was $26.1 million compared to $27.6 million in the prior year, a decrease of $1.5 million. The decrease is the result of the Divestiture transaction which took place in January 2022. In 2022, the Company recognized $1.4 million in Cloud and Colocation revenue (2023 - $nil) and $0.4 million in post transaction support services (recorded as "Other Revenue) compared to only $0.02 million in 2023. These two decreases were partially offset by an increase of $0.2 million in Connectivity Revenue year over year.

- Net loss increased to $3.6 million for the three months ended December 31, 2023, compared to a net loss of $2.4 million for the same period in 2022. The higher net loss in the current year was a combination of higher finance costs by $0.7 million as a result of additional drawdowns from the existing debt facility and one-time costs related to headcount transitions and changes. Net loss was $13.2 million for the year ended December 31, 2023, compared to a net loss of $11.6 million for the same period in 2022. The increase in net loss was a combination of higher finance costs, lower total revenues, as described above combined with non-recurring costs associated with the CEO change and other staffing changes. These were partially offset by a reduction in overall operating expenses year over year.

- Adjusted EBITDA[1,2] remained flat at $1.2 million for the three months ended December 31, 2023, compared to the same period in 2022. For the year ended December 31, 2023, Adjusted EBITDA[1,2] decreased 17.1% to $3.4 million compared to $4.1 million for the same period in 2022. The decrease was as driven primarily due to prior year period including one month of Cloud and Colocation Revenue ($1.4 million), partially offset by a reduction of overall operating expenses.

- Gross Margin remained consistent year over year achieving 73.3% in 2023 compared to 73.1% in the prior year.

Key Developments

- Backlog MRR[1] decreased year over year to $65,363 as of December 31, 2023, from $178,948 for the same period in 2022. The decrease in backlog MRR[1] is the result of onboarding of new customers with improved installation processes yielding much faster installations which reduced the backlog due to installations exceeding new bookings in the year and combined with de-bookings of previously recorded orders due to technical, geographical and customer landlord limitations preventing fulfillment of the orders.

- ARPU[1] for the connectivity business was $1,164 in Q4 2023 up from $1,127 in Q3 2023 and compared to $1,063 for the same period in 2022 due to changes in customer base and product mix and a new pricing strategy implemented in 2023 Q4. ARPU has been increasing every quarter for the past five quarters.

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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.

TERAGO OVERVIEW

TERAGO provides managed network and security services to businesses across Canada ensuring highly secure, reliable, and redundant connectivity services including fixed wireless access and fiber and cable wireline network connectivity. 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 high priority 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 6 largest cities. This spectrum is used to deploy dedicated high performance, secure and reliable 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 20 Mbps to 10 Gbps) IP-based services for business, government and mobile backhaul.

In June 2019, 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**.**

Cloud and colocation divestiture

On January 31, 2022, TERAGO divested its cloud and colocation business to a subsidiary of Hut 8 Mining Corp. (Nasdaq: HUT) (TSX: HUT) for consideration of $30 million in cash (the "Divestiture"). The Company recognized $1.4 million of revenue in January 2022 related to the Cloud and Colocation services prior to the closing of the Divestiture. The following table displays a summary of our Consolidated Statements of Comprehensive Earnings (Loss) for the three months ended December 31, 2023, and 2022 and the years ended December 31, 2023, and 2022 and a summary of selected Balance Sheet data as at December 31, 2023, and 2022.

Selected Financial Information

(in thousands of dollars, except with respect to earnings (loss) per share) (unaudited)	Three Months Ended December 31		Year Ended December 31	
	2023	**2022**	**2023**	**2022**
Revenue				
Cloud and Colocation Revenue	$ -	$ -	$ -	$ 1,355
Connectivity Revenue	6,536	6,285	26,034	25,860
Other Revenue	0	50	18	407
Total Revenue	6,536	6,335	26,052	27,622
Expenses				
Cost of services	1,801	1,578	6,948	7,437
Salaries and related costs	2,894	2,959	12,626	12,905
Other operating expenses	1,683	1,021	5,804	6,283
Amortization of intangible assets	4	(1)	9	12
Depreciation of network assets, property and equipment	2,470	2,530	9,965	10,073
	8,852	8,087	35,352	36,710
Earnings (loss) from operations	(2,316)	(1,752)	(9,300)	(9,088)
Impairment loss on divested assets	-	-	-	(107)
Impairment on network assets, property, equipment and intangible assets	(102)	(156)	(380)	(327)
Foreign exchange gain (loss)	(24)	(45)	(7)	(83)
Finance costs	(1,154)	(491)	(3,707)	(2,089)
Finance income	35	38	209	123
Earnings (loss) before income taxes	(3,561)	(2,406)	(13,185)	(11,571)
Income Taxes				
Income tax recovery (expense)	-	-	-	-
Net earning (loss) and comprehensive earnings (loss)	$ (3,561)	$ (2,406)	$ (13,185)	$ (11,571)
Deficit, beginning of period	$ (125,915)	$ (113,885)	$ (116,291)	$ (104,720)
Deficit, end of period	$ (129,476)	$ (116,291)	$ (129,476)	$ (116,291)
Basic earnings (loss) per share	$ (0.18)	$ (0.12)	$ (0.67)	$ (0.61)
Diluted earnings (loss) per share	$ (0.18)	$ (0.12)	$ (0.67)	$ (0.61)
Basic weighted average number of shares outstanding	19,805	19,720	19,771	19,098
Diluted weighted average number of shares outstanding	19,805	19,720	19,771	19,098

Selected Balance Sheet Data	As at December 31	
	2023	**2022**
Cash and cash equivalents	$ 4,381	$ 6,220
Short term investments	$ 235	$ 1,158
Accounts receivable	$ 1,990	$ 2,252
Prepaid expenses and other assets	$ 992	$ 1,141
Network assets, property and equipment	$ 33,549	$ 32,815
Total Assets	$ 53,496	$ 55,383
Accounts payable and accrued liabilities*	$ 2,977	$ 4,461
Long-term debt	$ 16,871	$ 6,157
Other long-term liabilities*	$ 672	$ 250
Shareholders' equity	$ 17,333	$ 29,599

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

RESULTS OF OPERATIONS

Comparison of the three months and year ended December 31, 2023, and 2022
(in thousands of dollars, except with respect to gross profit margin, earnings per share, Backlog MRR, churn rate, and ARPU)

(unaudited)		Three months ended December 31		Year ended December 31	
		2023	**2022**	**2023**	**2022**
Financial					
Cloud and Colocation Revenue	$	-	-	-	1,355
Connectivity Revenue	$	6,536	6,285	26,034	25,860
Other Revenue	$	-	50	18	407
Total Revenue	$	6,536	6,335	26,052	27,622
Cost of Services[1]	$	1,801	1,578	6,948	7,437
Selling, General, & Administrative Costs	$	4,577	3,980	18,430	19,188
Gross Profit Margin[1]		72.4%	75.1%	73.3%	73.1%
Adjusted EBITDA [1,2]	$	1,190	1,164	3,435	4,077
Net Loss	$	(3,561)	(2,406)	(13,185)	(11,571)
Basic loss per share	$	(0.18)	(0.12)	(0.67)	(0.61)
Diluted loss per share	$	(0.18)	(0.12)	(0.67)	(0.61)
Operating					
Backlog MRR[1]					
Connectivity	$	65,363	178,948	65,363	178,948
Churn Rate[1]					
Connectivity		1.0%	0.9%	1.1%	0.8%
ARPU[1]					
Connectivity	$	1,164	1,063	1,125	1,085

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

Refer to "Definitions – Key Performance Indicators, 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 $6.5 million for the three months ended December 31, 2023, compared to $6.3 million for the same period in 2022. Revenue decreased 5.4% to $26.1 million for the year ended December 31, 2023, compared to $27.6 million for the same period in 2022. The decrease is due to the prior year having one month ($1.4 million) of cloud and colocation revenue and $0.4 million or post divestiture transaction support revenue partially offset by a $0.2 million year over year increase in Connectivity Revenue.

Connectivity Revenue
For the three months ended December 31, 2023, connectivity revenue increased 3.2% to $6.5 million compared to $6.3 million for the same period in 2022. As discussed previously, the result of the increase is due to the overall increase in ARPU[1].

For the year ended December 31, 2023, connectivity revenue increased slightly 0.4% to $26.0 compared to $25.9 million for the same period in 2022. The increase was a result of higher ARPU[1] due to the Company's new pricing strategy.

Cloud and Colocation Revenue
For the three months ended December 31, 2023, there was nil cloud and colocation revenue as well as for the same period in 2022. This was a result of the Divestiture of these two business lines in Q1 2022.

For the year ended December 31, 2023, cloud and colocation revenue decreased 100.0% to $nil compared to $1.4 million for the same period in 2022. The decrease was driven by the factors described above.

Other Revenues
For the three months and year ended December 31, 2023, the Company earned $nil and $0.018 million in other revenues respectively for providing post transaction support and other services to HUT8 as part of the Divestiture, compared to $0.05 million and $0.4 million in the prior year respective comparable periods.

Cost of Services

For the three months ended December 31, 2023, cost of services increased 12.5% to $1.8 million from $1.6 million in the same period in 2022. The increase is due to the prior year quarter having included a one-time reversal of $378k for an obligation determined to no longer be required. Otherwise, current cost of services would have been lower by 8.0%.

For the year ended December 31, 2023, cost of services decreased 6.8% to $6.9 million compared to $7.4 million in the same period in 2022 ($7.8 million when normalized for the accrual reversal above). The decrease in overall cost of services, year over year, was due to a combination of change in product mix, tighter controls and improved results related to supplier costs and a decrease in year over year revenue.

Gross profit margin was 72.4% for the three months ended December 31, 2023, compared to 75.1% in same quarter of 2022 (69.1% when normalized for the one-time accrual reversal discussed above). Annual gross profit margin for 2023 was 73.3% compared to 73.1% in 2022 (71.7% when normalized for the accrual reversal above).

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

Selling, General & Administrative Costs ("SG&A")

This section includes salaries and related costs and other operating expenses.

For the three months ended December 31, 2023, SG&A increased 15.0% to $4.6 million ($3.8 million net of restructuring costs) compared to $4.0 million ($3.7 million net of restructuring costs) for the same period in 2022. Overall cost change, net of restructuring charges, was an increase of $0.1 million due to changes in headcount mix year over year.

For the year ended December 31, 2023, SG&A decreased 4.2% to $18.4 million ($16.3 million net of restructuring costs) compared to $19.2 million ($17.4 million net of restructuring costs) for the same period in 2022. A year over year decrease of $1.1 million net of restructuring costs. Restructuring costs for the year ended December 31, 2023, were $2.2 million (2022 - $1.8 million). The year over year decrease in SG&A, net of restructuring costs, was driven by overall lower operating costs (both people and non-people costs) as the Company continues to optimize and right size its cost structure relative to its level of business activity.

Net loss

Net loss increased to $3.6 million for the three months ended December 31, 2023, compared to a net loss of $2.4 million for the same period in 2022. The higher net loss was driven primarily by the higher finance costs ($0.7 million higher in 2023 vs. 2022) as three additional draw downs on the existing debt facility were made in 2023 and higher restructuring costs in the quarter ($0.5 million) as discussed above.

Net loss was $13.2 million for the year ended December 31, 2023, compared to a net loss of $11.6 million for the same period in 2022, a difference of $1.6 million. The higher net loss was a result of higher debt related finance costs ($1.6 million higher in 2023 vs. 2022) and lower total revenues offset by lower overall operating expenses.

Adjusted EBITDA[1,2]

Adjusted EBITDA[1,2] remained flat at $1.2 million for the three months ended December 31, 2023, compared to the same period in 2022.

For the year ended December 31, 2023, Adjusted EBITDA[1,2] decreased 17.1% to $3.4 million compared to $4.1 million for the same period in 2022. The decrease was driven primarily by the reduction in gross profit resulting from the Divestiture transaction. For the prior period 2022, EBITDA for the Connectivity business only (net of the impacts of the Divestiture transaction and the transaction support revenues), was $2.8 million.

The table below reconciles net loss to Adjusted EBITDA[1,2] for the three months and year ended December 31, 2023, and 2022.

(in thousands of dollars, unaudited)	Three months ended December 31		Year ended December 31	
	2023	2022	2023	2022
Net loss for the period	$ (3,561)	(2,406)	$ (13,185)	(11,571)
Foreign exchange loss	24	45	7	83
Finance costs	1,154	491	3,707	2,089
Finance income	(35)	(38)	(209)	(123)
Impairment loss on divested assets	-	-	-	107
Loss from operations	(2,418)	(1,908)	(9,680)	(9,415)
Add/(deduct):				
Depreciation of network assets, property and equipment and amortization of intangible assets	2,474	2,529	9,974	10,085
Loss on disposal of network assets	39	-	83	171
Impairment of other assets and related charges	64	147	297	750
Stock-based compensation expense	227	115	590	688
Restructuring, acquisition-related, integration and other related costs	804	281	2,171	1,798
Adjusted EBITDA[1,2]	$ 1,190	1,164	$ 3,435	4,077

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

***Backlog MRR*[1]**

Connectivity backlog MRR[1] was $65,363 as at December 31, 2023, compared to $178,948 as at December 31, 2022. The decrease in backlog MRR[1] is the result of onboarding of new customers (improved installation processes yielding much faster installations which reduced the backlog due to installations exceeding new bookings), lower year over year bookings and combined with de-bookings of previously recorded orders due to technical, geographical and customer landlord limitations preventing fulfillment of the orders.

***ARPU*[1]Error! Bookmark not defined.**

For the three months ended December 31, 2023, connectivity ARPU[1] was $1,164 compared to $1,063 for the same period in 2022. Increase in ARPU[1] is the result of the Company's ongoing focus to attract mid-market and large scale, predominantly multi-location customers. For the year ended December 31, 2023, connectivity ARPU[1] was $1,125 compared to $1,085 for the same period in 2022. The increase was driven by the factors described above.

***Churn*[1]**

For the three months ended December 31, 2023, connectivity churn[1] was 1.0% compared to 0.9% for the same period in 2022. The increase in customer churn[1] in the current quarter being the result of certain customers at the end of their contract terms, switching to fibre-based connectivity solutions that were not previously available to them. The Company continues to focus on mid-market and large-scale customers as well as implementing new policies and strategies with regard to customers renewals and retention. For the year ended December 31, 2023, customer churn[1] was 1.1% compared to 0.8% for the same period in 2022. 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 December 31, 2023, finance costs increased 140.0% to $1.2 million compared to $0.5 million for the same period in 2022. The increase was a result of the interest costs related to additional drawdowns made throughout the year on the long-term debt facility.

For the year ended December 31, 2023, finance costs increased to $3.7 million compared to $2.1 million for the same period in 2022. The increase was driven by the factor described above.

Depreciation and amortization

For the year ended December 31, 2023, depreciation of network assets, property and equipment and amortization of intangibles decreased 1.0% to $10.0 million compared to $10.1 million for the same period in 2022. The decrease was the result of fewer amortizing assets as a result of the assets and intangibles sold or transferred by way of the Divestiture.

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

Summary of Quarterly Results

All financial results are in thousands, with the exception of Earnings per Share, Gross Profit Margin[1], Backlog MRR[1], Churn Rate[1], and ARPU[1]

(unaudited)		Q4 - 23	Q3 - 23	Q2 - 23	Q1 - 23	Q4 - 22	Q3 - 22	Q2 - 22	Q1 - 22
Financial									
Revenue	$	6,536	6,491	6,516	6,509	6,335	6,632	6,731	7,924
Gross Profit Margin %[1]		72.4%	72.4%	72.0%	76.5%	75.1%	72.9%	72.8%	71.8%
Adjusted EBITDA[1,2]	$	1,190	918	500	827	1,164	782	1,019	1,113
Net Profit (loss)	$	(3,561)	(3,087)	(3,988)	(2,549)	(2,406)	(2,913)	(3,112)	(3,140)
Basic loss per share	$	(0.18)	(0.16)	(0.20)	(0.13)	(0.12)	(0.15)	(0.16)	(0.16)
Diluted loss per share	$	(0.18)	(0.16)	(0.20)	(0.13)	(0.12)	(0.15)	(0.16)	(0.16)
Basic weighted average number of shares outstanding		19,805	19,786	19,755	19,737	19,720	19,700	19,683	19,669
Diluted weighted average number of shares outstanding		19,805	19,786	19,755	19,737	19,720	19,700	19,683	19,669
Operating									
Backlog MRR[1]									
Connectivity	$	65,363	75,963	85,471	132,929	178,948	138,893	133,436	126,631
Churn Rate[1]									
Connectivity		1.0%	1.3%	1.2%	0.9%	0.9%	0.7%	0.9%	0.7%
ARPU[1]									
Connectivity	$	1,164	1,127	1,104	1,101	1,063	1,099	1,118	1,061

Seasonality

The Company's net customer onboarding, 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 and/or tower equipment. Typically, harsher weather in the winter months results in a reduction of productive installation days and therefore impacts the overall length of time from when a customer contract is signed to when the services are fully installed, and the customer becomes revenue generating.

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 rate increases in long-term contracts and the restart on January 1st of payroll taxes and other levies related to employee compensation.

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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

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, unaudited)		Three months ended December 31			Year ended December 31	
		2023	2022		2023	2022
Statement of Cash Flows Summary						
Cash inflows and (outflows) by activity:						
Operating activities*	$	1,166	1,085	$	501	1,336
Investing activities		(1,386)	(1,697)		(5,021)	18,825
Financing activities		1,715	5,096		2,688	(19,339)
Net cash outflows		1,495	4,484		(1,832)	822
Cash and cash equivalents, beginning of period		2,910	1,781		6,220	5,481
Change in cash due to foreign exchange*		(24)	(45)		(7)	(83)
Cash and cash equivalents, end of period	**$**	**4,381**	**6,220**	**$**	**4,381**	**6,220**

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

Operating Activities
For the three months ended December 31, 2023, cash generated from operating activities was $1.2 million compared to $1.1 million for the same period in 2022. For the year ended December 31, 2023, cash generated from operating activities was $0.5 million compared to cash from operations of $1.3 million for the same period in 2022. The overall decrease was a result of increased net loss and restructuring related payouts due to changes in key roles.

Investing Activities
For the three months ended December 31, 2023, cash used in investing activities was $1.4 million compared to $1.7 million for the same period in 2022. The decrease was mainly driven by the timing of customer success-based capital equipment spending compared to prior periods combined with the company's new Smart Growth strategy whereby overall new customer profitability must achieve higher minimum thresholds in order for the company to order and deploy capital equipment. For the year ended December 31, 2023, cash used in investing activities was $5.0 million compared to cash generated was $18.8 million for the same period in 2022. The year over year change from generating cash in 2022, to consuming cash in 2023, is the result of the proceeds from the 2022 Divestiture transaction (gross proceeds were $27.3 million).

Financing Activities
For the three months ended December 31, 2023, cash generated in financing activities was $1.7 million compared to $5.1 million for the same period in 2022. The decrease in cash generated in financing activities was due to the receipt of initial draw down from the CrowdOut debt financing facility in the prior year period. For the year ended December 31, 2023, cash generated in financing activities was $2.7 million compared to cash used of $19.3 million for the same period in 2022. The increase in cash was a result of the repayment of prior long-term debt financing at the beginning of Q1 2022 (repayment of debt was $20.0 million), partially offset by additional drawdowns from the new long-term debt financing during current year period.

Capital Resources
As at December 31, 2023, the Company had cash and cash equivalents of $4.4 million, short-term investments of $0.2 million and access to a long-term debt facility (described below), subject to the terms and conditions of the credit facility.

The Company closed a USD $20.0 million term debt facility with CrowdOut Capital LLC on September 29, 2022 (see below). As at December 31, 2023, the Company still has USD $6.5 million available to draw from the facility.

Management believes the Company's current cash, anticipated cash from operations and access to the remaining undrawn facility will be sufficient to meet its working capital and capital expenditure requirements for until the debt facility is due on September 30, 2025. In order to meet its repayment obligations, the Company will need to either extend its existing debt facility and/or raise additional debt and/or additional equity.

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$ 20.0 million. 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$ 1.0 million calculated on a pro-rata basis determined by the amount of the facility that has been drawn down at the time of exit. In accordance with the 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, TERAGO took the initial draw of USD $5.0 million in accordance with the terms of the Credit 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, June and November 2023) on the facility with the approval of the Board of Directors, for a total of USD $8.5 million, resulting in the vesting of an additional 91,429 of the issued warrants.

Demand Revolving credit facility
On January 31, 2022, entered into a demand revolving credit facility (the "facility") with the Royal Bank of Canada ("RBC") in order to support letters of credit required by certain landlords. At December 31, 2023, there was $nil drawn and outstanding on the demand facility and a single letter of credit remained outstanding under the facility for a total $0.2 million. Subsequent to the 2023 year end, the obligation related to the outstanding letter of credit has been met and the letter of credit extinguished.

Equity Offering
On April 14, 2021, TERAGO completed a Private Placement with certain institutional investors, including Cymbria Corporation, acting at the direction of its portfolio manager, EdgePoint Investment Group Inc. The Company issued and sold an aggregate of 934 thousand Series A Units, 934 thousand Series B Units and 934 thousand Series C Units of the Company at a subscription price of $5.25 per Unit, for gross proceeds of $14.7 million. On April 14, 2023, and October 14, 2023, the 934 warrants associated with the Series A Units and 934 warrants associated with the Series B Units fully expired, respectively, without the warrants being exercised.

Contractual Obligations
The Company is committed to leases for premises, office equipment, network real estate access, automobiles, telecommunication facilities and radio spectrum licenses. Annual minimum payments over the next five years and thereafter for contractual obligations that are not recognized as liabilities at December 31, 2023 are as follows (in thousands):

		2024	2025	2026	2027	2028	Thereafter	Total
Network assets, property and equipment	$	1,301	-	-	-	-	-	1,301
Other obligations		2,635	1,008	182	18	-	-	3,843
Total commitments	$	3,936	1,008	182	18	-	-	5,144

Off-balance Sheet Arrangements
As of December 31, 2023, the Company had no off-balance sheet arrangements.

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 2023 Annual Information Form, a copy of which can be found on SEDAR at www.sedar.com.

As of December 31, 2023, there were 19.8 million Common Shares issued and outstanding. In addition, as of December 31, 2023, there were 937 thousand Common Shares issuable upon exercise of TERAGO stock options, 15 thousand Common Shares issuable upon vesting of restricted share units, 17 thousand Common Shares issuable upon vesting of performance share units and 216 thousand Common Shares issuable upon exercise of warrants which were issued to the lender of the debt facility secured in Q4 2022. As of the reporting date there have been no changes to the number of shares issued and outstanding.

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

Subsequent measurement and treatment of any gain or loss is recorded as follows:

(i) Financial assets and financial liabilities at FVTPL are measured at fair value at the balance sheet date with any gain or loss recognized immediately in net loss. Interest and dividends earned from financial assets are also included in net loss for the period.
(ii) Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses are recognized in net loss for the period.
(iii) Other financial liabilities are measured at amortized cost using the effective interest method. Any gains or losses are recognized in net loss for the period.

Impairment of Financial Assets
The Company's financial assets measured at amortized cost consist of assets discussed in Note 18 of the financial statements.

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

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

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

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

The following is a summary of the Company's significant categories of financial instruments as at December 31, 2023:

Financial Instrument	Classification and measurement method
Financial Assets	
Cash and cash equivalents	Fair Value
Cash held on behalf of third party	Fair Value
Short-term investments	Fair Value
Accounts receivable	Amortized cost
Financial liabilities	
Accounts payable	Amortized cost
Accrued liabilities	Amortized cost
Payable for cash held to third party	Fair Value
Long-term debt	Amortized cost
Decommissioning and restoration obligations	Amortized cost
Lease liabilities	Amortized cost

Other financial liabilities
The Company recognizes debt securities issues and subordinated liabilities on the date that they originated. All other financial liabilities are recognized initially on the date that the Company becomes a party to the contractual provisions. The Company has the following non-derivative financial liabilities: current and long-term debt, accounts payable and accrued liabilities, and current portion and long-term portion of other long-term liabilities.

Such liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Interest on loans and borrowings is expensed as incurred unless capitalized for qualifying assets in accordance with IAS 23, Borrowing Costs. Loans and borrowings are classified as a current liability unless the Company has an unconditional right to defer settlement for at least 12 months after the end of the year.

Long-term Debt
This facility has been accounted for as compound financial instrument with a liability component for the debt and an equity component for the warrants issued. As the warrants are exchangeable for a fixed number of the Company's common shares, the warrants meet the fixed-for-fix criteria. Upon each draw down date, the liability is measured at its fair value using the forward SOFR curve rate and the warrants are measured at the residual amount of the compound financial instrument.

Derivative instruments
The Company is not engaged in any derivative contracts as at December 31, 2023, or December 31, 2022.
Financial Instrument Risks

Fair value of financial instruments
The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies. The Company classifies its fair value measurements within a fair value hierarchy, which

reflects the significance of the inputs used in making the measurements as defined in IFRS 9 – Financial Instruments – Disclosures.

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

The fair values of cash and cash equivalents, short-term investments, and restricted cash, which are primarily money market and fixed income securities, are based on quoted market values. The fair values of short-term financial assets and liabilities, including accounts receivable, accounts payable and accrued liabilities, as presented in the consolidated statements of financial position, approximate their carrying amounts due to their short-term maturities. The fair value of long-term debt approximates its carrying value because management believes the interest rates approximate the market interest rate for similar debt with similar security.

Credit risk
The Company's cash and cash equivalents, accounts receivables and short-term investments are subject to credit risk. The Company maintains cash and investment balances at large Canadian financial institutions. The Company's maximum exposure to credit risk is limited to the amount of cash and cash equivalents.

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

As at December 31, 2023, and 2022, the Company had no material past due trade accounts receivable.

Interest rate risk
The Company is subject to interest rate risk on its cash and cash equivalents and long-term debt. The Company is exposed to interest rate risk on its Term Debt Facility since the interest rates applicable are variable and are, therefore, exposed to cash flow risks resulting from interest rate fluctuations.

Foreign Exchange risk
The Credit Agreement with CrowdOut is denominated in U.S. dollars, meanwhile the Company reports its financial results and earns its revenues in Canadian dollars. Therefore, the changes in the US/CAD exchange rate will have an impact on the financial results of the Company but also the debt servicing and repayment.

Liquidity risk
As at December 31, 2023, the Company had cash and cash equivalents of $4.4 million and short-term investments of $0.2 million. The Company believes that its current cash and cash equivalents, along with its access to the USD $6.6 million undrawn on its term facility, and anticipated cash from operations will be sufficient to meet its working capital and capital expenditure requirements for at least eighteen months following December 31, 2023. The Company continues to manage liquidity by ensuring trade turnover is consistent with the objectives of the organization as well as through cost management strategies. As discussed above, in order to meet its term debt repayment obligations on September 30, 2025, the Company will need to either extend the agreement term with the existing lender and/or raise additional debt and/or equity.

SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

(i) *Estimates of useful lives of network assets, property and equipment and intangible assets:*
Management's judgment involves consideration of intended use, industry trends and other factors in determining the expected useful lives of depreciable assets, to determine depreciation methods, the asset's residual value and whether an asset is a qualifying asset for the purposes of capitalizing borrowing costs.

(ii) *Capitalization of costs:*
Judgments and estimates are used in assessing the direct labour and other costs capitalized to network assets, property, and equipment.

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

(iv) *Impairment of non-financial assets:*
The process to calculate the recoverable amount of our cash generating unit requires use of valuation methods such as the discounted cash flow method which uses significant assumptions including expected future revenue, operating margins, capital investment, discount rate, terminal growth rate. The Company also applied judgement on the use of available market data to estimate the value of its Spectrum holdings.

(v) *Valuation Allowance on Trade Receivables:*
In developing the estimates for an allowance against existing receivables, the Company considers general and industry economic and market conditions as well as credit information available for the customer and the aging of the account. Changes in the carrying amount due to changes in economic and market conditions could significantly affect the loss for the period. The Company applies the IFRS 9 model to record valuation allowances on Trade Receivables.

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

(vii) *Income taxes:*
A deferred tax asset is recognized for unused losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Significant estimates are required in evaluating the recoverability of deferred tax assets. The Company's assessment is based on existing tax laws, estimates of future profitability and tax planning strategies.

(viii) *Provisions:*
Judgment is required to assess the likelihood of an outflow of the economic benefits to settle contingencies, such as litigations or decommissioning and restoration obligations, which may require

a liability to be recognized. Significant judgments include assessing estimates of future cash flows, selection of discount rates and the probability of the occurrence of future events.

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

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

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

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

RISK FACTORS

TERAGO is exposed to a number of risks and uncertainties that are common to other companies engaged in the same or similar businesses. The following is a summary of the material risks that could significantly affect the financial condition, operating results or business of TERAGO.

Revenues and Operating Results Can Fluctuate
Our revenue in past periods may not be indicative of future performance from quarter to quarter or year to year. In addition, our operating results may not follow any past trends. The factors affecting our revenue and results, many of which are outside of our control, include:

- competitive conditions in the industry, including strategic initiatives by us or our competitors, new services, service announcements and changes in pricing policy by us or our competitors.
- market acceptance of our services.
- timing and contractual terms of orders for our services, which may delay the recognition of revenue.
- the discretionary nature of purchase and budget cycles of our customers and changes in their budgets for, and timing of, services orders.
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments, or changes in business strategy.
- general weakening of the economy resulting in a decrease in the overall demand for telecommunications, or IT services or otherwise affecting the capital investment levels of medium-sized and enterprise businesses.
- timing of the development of new service offerings.
- no assurance that the Company's current and future competitors will not be able to develop infrastructure expertise comparable or superior to those developed by the Company or to adapt more quickly than the Company to new technologies, evolving industry standards or customer requirements.

5G private networks Business launch is unsuccessful.

The Company's proposed 5G mmWave private networks business (the "**5G Private Networks Business**") is subject to many risks. The Company is still in the process of testing and trialing equipment that would be vital to offering any 5G fixed wireless service and 5G Private Wireless Networks to its customers and there are currently no assurances that such trials will be successful, nor will there be assurances that there is suitable equipment available from vendors. As of the date hereof, the general availability of 5G mmWave Stand-alone Core and Radio equipment are available however the User Equipment (UE) has been delayed in the market as reported by various partners and vendors the Company has been working with.

In addition, the opportunities and business case for the 5G Private Networks Business has not yet been fully developed nor fully explored, and therefore no assumptions or assurances can be made that TERAGO will develop or provide 5G-services on a commercial basis. Moreover, the Company has not fully determined the capital needs, and whether such capital is available to provide 5G-related services. The demand for such services is estimated only. While indications are that there will be a high demand, it remains to be seen whether such demand will materialize.

Regulatory Risk

The Company has risks which can be collectively categorized as Regulatory Risk, consisting of the impact of future ISED Consultation with regards to Spectrum; Regulatory environment; Obtaining and maintaining licensed spectrum

Future ISED Consultations and decisions resulting in unfavourable outcome for 24 GHz and 38 GHz spectrum bands.

While the decision issued on June 5, 2019, by ISED for the Consultation on *Releasing Millimetre Wave Spectrum to Support 5G* was generally favourable from the perspective of the Company for its 38 GHz spectrum licenses, the decision also contemplates that there will be a future consultation on the 38 GHz band to establish the licensing framework for the new 38 GHz flexible use licenses. In addition, ISED also noted that when new flexible use licenses are issued, existing licensees will be issued such licenses under a new spectrum band plan which will necessitate the assignment to the Company of new frequency blocks. These new flexible licenses are also expected to cover smaller licensing areas than the existing Tier 3 license areas of current licenses. As such, the full extent of the rules and terms and conditions surrounding the Company's 38 GHz spectrum licenses when converted over to flexible use have not yet been established. The new rules, as well as terms and conditions of these licenses could have a negative impact on the Company's operations and may cause either disruption of services or will require additional costs to ensure the Company maintains its existing deployments to service customers.

ISED has previously identified and designated the 38 GHz band as a Priority 1 band for future use to support the deployment of 5G and recently the 24 GHz band has been upgraded to Priority 1 as well. 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. There can be no assurances that the 24 GHz band licences that the Company holds will be identified in the future for potential 5G use.

The pending decision on license renewals for 38 GHz and 24 GHz that the Company holds may be unfavourable in terms of timing, renewal fees and spectrum "claw back" which could have a negative effect on the value of these licenses, severely inhibit the Company's 5G Private Networks Business plan, and therefore impact negatively on the value of the Common Shares.

Regulatory Environment

We are subject to the laws of Canada and to regulations set by regulatory authorities of the Canadian government, primarily the CRTC and ISED. Regulatory authorities may adopt new laws, policies, or regulations, or change their interpretation of existing laws, policies, or regulations, that could cause our existing authorizations to be changed or cancelled, require us to incur additional costs, or otherwise adversely affect our operations, revenue, or cost of capital.

Any currently held regulatory approvals or licences may be subject to rescission and non-renewal. Additional approvals or licences may be necessary that we may not be able to obtain on a timely basis or on terms that are not unduly burdensome. Further, if we fail to obtain or maintain particular approvals on acceptable terms, such failure could delay

or prevent us from continuing to offer some or all of our current or new services, or offer new services, and adversely affect our results of operations, business prospects and financial condition. Even if we were able to obtain the necessary approvals, the licences, or other approvals we obtain may impose significant operational restrictions. The acquisition, lease, maintenance, and use of spectrum are extensively regulated in Canada.

These regulations and their application are subject to continual change as new legislation, regulations or amendments to existing regulations are adopted from time to time by governmental or regulatory authorities, including as a result of judicial interpretations of such laws and regulations. Current regulations directly affect the breadth of services we are able to offer and may impact the rates, terms, and conditions of our services.

The breach of the conditions of a licence or applicable law, even if inadvertent, can result in the revocation, suspension, cancellation, or reduction in the term of a licence or the imposition of fines. In addition, regulatory authorities may grant new licences to third parties, resulting in greater competition in markets where we already have rights to licenced spectrum. In order to promote competition, licences may also require that third parties be granted access to our bandwidth, frequency capacity, facilities, or services. We may not be able to obtain or retain any required licence, and we may not be able to renew our licences on favourable terms, or at all.

Our internet access services may become subject to greater regulation in the future. If we become subject to proceedings before the CRTC or ISED with respect to our compliance with the relevant legislation and regulations relating to restrictions on foreign ownership and control, we could be materially adversely affected, even if it were ultimately successful in such a proceeding. There can be no assurance that a future CRTC or ISED determination or events beyond our control will not result in our ceasing to comply with the relevant legislation or regulations. If this occurs, our ability to operate as a Canadian carrier under the *Telecommunications Act* or to hold, renew or secure licences under the *Radiocommunication Act* could be jeopardized and our business, operating results and financial condition could be materially adversely affected.

Obtaining and Maintaining Licenced Spectrum in Certain Markets

To offer our internet services using licenced spectrum in Canada, we depend on our ability to acquire and maintain sufficient rights to use spectrum through ownership, long-term leases, or developmental licences in each of the markets in which we operate or intend to operate. Obtaining the necessary amount of licenced spectrum can be a long and difficult process that can be costly and require a disproportionate amount of our resources. We may not be able to acquire, lease or maintain the spectrum necessary to execute our business strategy. In addition, we may spend significant resources to acquire spectrum licences, even if the amount of spectrum actually acquired in certain markets is not adequate to deploy our network on a commercial basis in all such markets.

Using licenced spectrum, whether owned, leased, or developmental, poses additional risks to us, including:

- inability to satisfy build-out or service deployment or research and development requirements upon which our spectrum licences or leases are, or may be, conditioned.
- adverse changes to regulations or licence conditions governing our spectrum rights.
- inability to use the spectrum we have acquired or leased due to interference from licenced or licence-exempt operators in our band or in adjacent bands.
- refusal by ISED to recognize our acquisition or lease of spectrum licences from others or our investments in other licence holders.
- inability to offer new services (including 5G) or to expand existing services to take advantage of new capabilities of our network resulting from advancements in technology due to regulations governing our spectrum rights.
- inability to control leased spectrum due to contractual disputes with, or the bankruptcy or other reorganization of, the licence holders.
- failure of ISED to renew our spectrum licences as they expire and our failure to obtain extensions or renewals of spectrum leases before they expire.
- imposition by ISED of new or amended conditions of licence, or licence fees, upon the renewal of our spectrum licences or in other circumstances.
- potentially significant increases in spectrum prices, because of increased competition for the limited supply of licenced spectrum in Canada; and

- invalidation of our authorization to use all or a significant portion of our spectrum, resulting in, among other things, impairment charges related to assets recorded for such spectrum.

We expect ISED to make additional spectrum available from time to time. Additionally, other companies hold spectrum rights that could be made available for lease or sale. The availability of additional spectrum in the marketplace could change the market value of spectrum rights generally and, as a result, may adversely affect the value of our spectrum assets.

We also use radio equipment under individual radio licences issued by ISED, and subject to annual renewal. We may not be able to obtain the licences we require thereby jeopardizing our ability to reliably deliver our internet services. ISED may decline to renew our licences, or may impose higher fees upon renewal, or impose other conditions that adversely affect us. ISED may decide to reassign the spectrum in the bands we use to other purposes and may require that we discontinue our use of radio equipment in such bands.

Insufficient Capital

The continued growth and operation of our business may require additional funding for working capital, debt service, the enhancement and upgrade of our network, the build-out of infrastructure to expand the coverage area of our services, possible acquisitions, and possible bids to acquire spectrum licences. We may be unable to secure such funding when needed in adequate amounts or on acceptable terms, if at all.

To execute our business strategy, we may issue additional equity securities in public or private offerings, potentially at a price lower than the market price at the time of such issuance. Similarly, we may seek debt financing and we may be forced to incur significant interest expense. If we cannot secure sufficient funding, we may be forced to forego strategic opportunities or delay, scale back or eliminate network deployments, operations, acquisitions, spectrum acquisitions and other investments.

Reliance on Certain Third Parties

We rely on third-party suppliers, in some cases sole suppliers or limited groups of suppliers, to provide us with components necessary for the operation and upgrading of our network and infrastructure, as well as to develop our 5G Private Networks Business Plan. If we are unable to obtain sufficient allocations of components, our 5G initiatives and/or network expansion will be delayed, we may lose customers and our profitability will be affected. Reliance on suppliers also reduces our control over costs, delivery schedules, reliability, and quality of components. Any inability to obtain timely deliveries of quality components, or any other circumstances that would require us to seek alternative suppliers, could adversely affect our ability to expand and maintain our network or infrastructure.

In addition, the Company relies on third party partners, agents, and resellers to carry out its business. If these third parties do not honour their contractual commitments or cease to do business, it may have a significant impact on our business. Replacements for such third parties may require a lengthy period of time in order to establish a commercially comparable relationship.

The Company has recently aligned with several partners both as part of its channel program, as well as its technology program. The benefits of such partnerships have not yet been proven and an early termination of the partnerships or any unanticipated setbacks may have a material impact on the Company's business and strategic plan.

Licence-exempt Spectrum

We presently utilize licence-exempt spectrum in connection with a majority of our internet customers. Licence-exempt or "free" spectrum is available to multiple simultaneous users and may suffer bandwidth limitations, interference, and slowdowns if the number of users exceeds traffic capacity. The availability of licence-exempt spectrum is not unlimited, and others do not need to obtain permits or licences to utilize the same licence-exempt spectrum that we currently or may in the future utilize, threatening our ability to reliably deliver or expand our services. Moreover, the prevalence of licence-exempt spectrum creates low barriers to entry in our business, creating the potential for heightened competition.

Price Sensitive Market

The competitive market in which the Company conducts its business could require the Company to reduce its prices. If competitors offer discounts on certain products or services in an effort to recapture or gain market share or to sell other products, the Company may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would likely reduce the Company's margins and could adversely affect operating results. Some of the Company's competitors may bundle services that compete with the Company for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that the Company can charge for its products. If the Company cannot offset price reductions with a corresponding increase in volume, bundling of services or with lower spending, then the reduced revenues resulting from lower prices would adversely affect the Company's margins and operating results.

Market Demand for Available Capacity

The Company currently has available capacity in its network infrastructure and other assets. There can be no assurance that the existing or future market demand will be sufficient to fill this capacity. Should the demand for the Company's services decline or fail to increase, this may negatively affect the Company's ability to capitalize on its high operating leverage and may adversely affect the Company's future financial performance.

Reductions in the amount or cancellations of customers' orders would adversely affect our business, results of operations and financial condition.

Cyber Security Risk

Our network security and the authentication of our customer credentials are designed to protect unauthorized access to data on our network and to our data centre premises. Because techniques used to obtain unauthorized access to or to sabotage networks (including DDoS attacks) change frequently and may not be recognized until launched against a target, we may be unable to anticipate or implement adequate preventive measures against unauthorized access or sabotage. Consequently, unauthorized parties may overcome our network security and obtain access to confidential, customer or employee data on our network, including on a device connected to our network. In addition, because we own and operate our network, unauthorized access or sabotage of our network could result in damage to our network and to the computers or other devices used by our customer. An actual or perceived breach of network security could harm public perception of the effectiveness of our security measures, adversely affect our ability to attract and retain customers, expose us to significant liability and adversely affect our business and revenue prospects.

The Company aims to mitigate and manage certain cyber security risks by employing specific policies and procedures, carrying out IT security-related audits, establishing internal controls relevant to mitigating security risks, performing certain "penetration" tests either internally or with help of third party consultants, obtaining IT security-related compliance certificates, designating a security officer that oversees the IT security of the Company, designating a privacy officer that is accountable for the Company's compliance with applicable privacy laws, using DDoS mitigation, tools and services, utilizing back-up and disaster recovery services and maintaining specific cyber liability insurance coverage to insure against cyber security incidents. The Audit Committee of Company has been tasked to periodically review the various measures management and the Company has undertaken to manage its cyber security risks.

Excessive Customer Churn

The successful implementation of our business strategy depends upon controlling customer churn. Customer churn is a measure of customers who stop using our services. Customer churn could increase as a result of:

- billing errors and/or reduction in the quality of our customer service.
- interruptions to the delivery of services to customers.
- the availability of competing technology and other emerging technologies, some of which may, from time to time, be less expensive or technologically superior to those offered by us; and
- competitive conditions in the industry, including strategic initiatives by us or our competitors, new services, service announcements and changes in pricing policy by us or our competitors.

An increase in customer churn can lead to slower customer growth, increased costs, and a reduction in revenue. Given the current economic environment, there is risk that churn levels could increase in the future.

Key Competitors are More Established and Have More Resources

The market for internet access and data connectivity are highly competitive, and we compete with several other companies within each of our markets. Many of our competitors are better established or have greater financial and spectrum resources than we have. Our competitors include:

- ILECs and CLECs providing DSL and fibre-optic enabled services over their existing wide, metropolitan, and local area networks and who have started to provide cloud and colocation services;
- Telcos offering or planning to offer internet and data connectivity over fibre optic networks;
- cable operators offering high-speed Internet connectivity services and voice communications;
- wireless Internet service providers using licenced or licence-exempt spectrum;
- satellite and fixed wireless service providers offering or developing broadband Internet connectivity and VoIP; and
- resellers providing wireless Internet or other wireless services using infrastructure developed and operated by others.

Many of our competitors are well established with larger and better developed networks and support systems, longer standing relationships with customers and suppliers, greater name recognition and greater financial, technical, and marketing resources than we have. Our competitors may subsidize competing services with revenue from other sources and, thus, may offer their products and services at prices lower than ours. We may not be able to reduce our prices which may make it more difficult to attract and retain customers.

We expect other existing and prospective competitors to adopt technologies and/or business plans similar to ours or seek other means to develop services competitive with ours, particularly if our services prove to be attractive in our target markets.

Acquisitions and Other Strategic Transactions

We may from time to time make strategic acquisitions or divestitures certain assets and businesses. Any such transactions can be risky, may require a disproportionate amount of our management and financial resources and may create unforeseen operating difficulties or expenditures, including:

- difficulties in integrating acquired or carving out businesses and assets while maintaining uniform standards, controls, policies, and procedures;
- obligations imposed on us by counterparties in such transactions that limit our ability to obtain additional financing, our ability to compete in geographic areas or specific lines of business or other aspects of our operational flexibility;
- increasing cost and complexity of assuring the implementation and maintenance of adequate internal control and disclosure controls and procedures;

- difficulties in consolidating and preparing our financial statements due increased complexity, or due to poor accounting records, weak financial controls and, in some cases, procedures at acquired entities not based on IFRS, particularly those entities in which we lack control; and
- inability to predict or anticipate market developments and capital commitments relating to the acquired company, business or assets.

If we do not successfully address these risks or any other problems encountered in connection with an acquisition or divestiture, the transaction could have a material adverse effect on our business, results of operations and financial condition. In addition, if we proceed with an acquisition, our available cash may be used to complete the transaction, diminishing our liquidity and capital resources, or additional equity may be issued which could cause significant dilution to existing shareholders.

Changes to Technologies and Standards

The industries TERAGO operates is characterized by rapidly changing technology, evolving industry standards and increasingly sophisticated customer requirements. The introduction of new or alternative technology and the emergence of new industry standards may render our existing network, equipment and/or infrastructure obsolete and our services unmarketable and may exert price pressures on existing services. It is critical to our success that we be able to anticipate changes in technology or in industry standards and ensure that we can leverage such new technologies and standards in a timely and cost-effective manner to remain competitive from a service and cost perspective. Rapid changes in business demands may also affect the Company's internal processes where certain software tools, processes, and standards may become inefficient or obsolete. The Company may fail to keep pace with changes in these technologies and practices which may result in operational breakdowns and/or financial losses.

Investments in Development of New Technologies, Products and Services

The Company has and will continue to make significant investments in the development and introduction of new products and services that make use of the Company's network, infrastructure, and equipment. There is no assurance that the Company will be successful in implementing and marketing these new products and services (including 5G) in a reasonable time, or that they will gain market acceptance. Development could be delayed for reasons beyond our control. Alternatively, we may fail to anticipate or satisfy the demand for certain products or services or may not be able to offer or market these new products or services successfully to customers. The failure to attract customers to new products or services, cross-sell service to our existing customer base or failure to keep pace with changing consumer preferences for products or services would slow revenue growth and could have a materially adverse effect on our business, results of operations and financial condition.

Expanding, Upgrading and Maintaining Network and Infrastructure

We expect to allocate significant resources in expanding, maintaining, and improving our network. Additionally, as the number of our customer locations increases, as the usage habits of our customers change and as we increase our service offerings, we may need to upgrade our network to maintain or improve the quality of our services. If we do not successfully implement upgrades to our network, the quality of our services may decline, and our churn rate may increase.

We may experience quality deficiencies, cost overruns and delays with the expansion, maintenance and upgrade of our network and existing infrastructure including the portions of those projects not within our control. Expansion of our network or infrastructure may require permits and approvals from governmental bodies and third parties. Failure to receive approvals in a timely fashion can delay expansion of our network. In addition, we are typically required to obtain rights from land, building and tower owners to install the antennas and other equipment that provide our internet access service to our customers. We may not be able to obtain, on terms acceptable to us or at all, the rights necessary to expand our network or existing infrastructure.

We also may face challenges in managing and operating our network and existing infrastructure. These challenges include ensuring the availability of customer equipment that is compatible with our network and managing sales, advertising, customer support, and billing and collection functions of our business while providing reliable network

service that meets our customers' expectations. Our failure in any of these areas could adversely affect customer satisfaction, increase churn, increase our costs, decrease our revenue and otherwise have a material adverse effect on our business, prospects, financial condition and results of operations.

Foreign Exchange

While the majority of the Company's revenues are earned in Canadian dollars, a portion of its costs, including for certain capital expenditures and SG&A are paid in U.S. dollars. As a result, the Company is exposed to currency exchange rate risks. A change in the currency exchange rate may increase or decrease the amount of Canadian dollars required to be paid by the Company for its U.S. expenditures. The Credit Agreement with CrowdOut is also denominated and serviced in U.S. dollars. The Company does not currently have any foreign exchange contracts to manage the foreign exchange risk. As a result, there can be no assurance that currency fluctuations will not have a material adverse effect on the Company.

Physical Inventory

The nature of our business requires the Company to procure, deploy, track, and maintain large volumes of specialized network equipment purchased in Canada and abroad. Equipment is frequently moved between provinces in Canada as part of provisioning. As a result, the Company is subject to inventory risk due to delays in inventory movement as well as process breakdowns in provisioning and deploying inventory to a customer site, network site, or datacentre facility. These delays may result in unintended backlog and inventory losses. The Company relies heavily on the ability of our vendors to supply us in a timely manner as well as the diligence of the Company's internal process owners to ensure provisioning and inventory management is effective.

Interest Rates

As the Company currently borrows funds through its credit facility whereby the Company is exposed to fluctuating Adjusted SOFR (Secured Overnight Financing Rate) interest rates. A significant rise in interest rates may materially increase the cost of either its revolving or non-revolving credit facilities. The Company does not currently have any interest rate swap contracts to manage the interest rate risk. As a result, there can be no assurance that interest rate fluctuations will not have a material adverse effect on the Company.

Interruption or Failure of Information Technology and Communications Systems

We have experienced service interruptions in some markets in the past and may experience service interruptions or system failures in the future. Our services depend on the continuing operation of our information technology and communications systems. Any service interruption adversely affects our ability to operate our business and could result in an immediate loss of revenue. If we experience frequent or persistent system, power or network failures, our reputation and brand could be permanently harmed. We may make significant capital expenditures to increase the reliability and security of our systems, but these capital expenditures may not achieve the results we expect.

Our systems are vulnerable to damage or interruption from earthquakes, terrorist attacks, floods, fires, power loss, telecommunications failures, computer viruses, computer denial of service attacks or other attempts to harm our systems, and similar events. Some of our systems are not fully redundant and our disaster recovery planning may not be adequate. The occurrence of a natural disaster or unanticipated problems at our network centres or data centres could result in lengthy interruptions in our service and adversely affect our operating results. The Company could also be required to make significant expenditures if the Company's systems were damaged or destroyed or pay damages if the delivery of the Company's services to its customers were delayed or stopped by any of these occurrences.

Retention and Motivation of Personnel

We depend on the services of key technical, sales, marketing, and management personnel. The loss of any of these key persons could have a material adverse effect on our business, results of operations and financial condition. Our

success is also highly dependent on our continuing ability to identify, hire, train, motivate and retain highly qualified technical, sales, marketing, and management personnel.

Competition for such personnel can be intense and we cannot provide assurance that we will be able to attract or retain highly qualified technical, sales, marketing, and management personnel in the future. Our inability to attract and retain the necessary technical, sales, marketing and management personnel may adversely affect our future growth and profitability. It may be necessary for us to increase the level of compensation paid to existing or new employees to a degree that our operating expenses could be materially increased.

If we cannot hire, train, and retain motivated and well-qualified individuals, we may face difficulties in attracting, recruiting and retaining various sales and support personnel in the markets we serve, which may lead to difficulties in growing our subscriber base.

Electrical Power and Outages

The Company's infrastructure is susceptible to electrical power outages, planned or unplanned power outages and limitations on availability of adequate power resources. Power outages can harm, and in the past, have harmed the Company's customers and its business, including extended service interruptions. While the Company attempts to limit exposure to system downtime, the Company cannot limit the Company's exposure entirely.

Litigation Risk and Intellectual Property Claims

Competitors or other persons may independently develop, patent technologies or copyright software that are substantially equivalent or superior to those we currently use or plan to use or that are necessary to permit us to deploy and operate our network, data centres or provide cloud services. Some of these patents, copyrights or rights may grant very broad protection to the owners. We cannot determine with certainty whether any existing third-party intellectual property or the issuance of any third-party intellectual property would require us to alter technology or software we use, obtain licences or cease certain activities. Defending against infringement claims, even meritless ones, would be time consuming, distracting and costly.

If we are found to be infringing the proprietary rights of a third party, we could be enjoined from using such third party's rights, may be required to pay substantial royalties and damages, and may no longer be able to use the intellectual property subject to such rights on acceptable terms or at all. Failure to obtain licences to intellectual property held by third parties on reasonable terms, or at all, could delay or prevent us from providing services to customers and could cause us to expend significant resources to acquire technology which includes non-infringing intellectual property.

If we have to negotiate with third parties to establish licence arrangements, or to renew existing licences, it may not be successful, and we may not be able to obtain or renew a licence on satisfactory terms or at all. If required licences cannot be obtained, or if existing licences are not renewed, litigation could result.

Operating Losses

We have incurred a net loss in the past several fiscal years. We cannot anticipate with certainty what our earnings, if any, will be in any future period. However, we could incur further net losses as we continue to expand our network into new and existing markets and pursue our business strategy in 5G. Accordingly, our results of operations may fluctuate significantly, which may adversely affect the value of an investment in our Common Shares. We may also invest significantly in our business before we expect cash flow from operations to be adequate to cover our anticipated expenses.

Economic and Geopolitical Risk

The market for our services depends on economic and geopolitical conditions affecting the broader market. Economic conditions globally are beyond our control. In addition, acts of terrorism and the outbreak of hostilities and armed conflicts between countries can create geopolitical uncertainties that may affect the global economy. Downturns in the

economy, pandemics, or geopolitical uncertainties may cause customers to delay or cancel projects, reduce their overall capital or operating budgets, or reduce or cancel orders for our services, which could have a material adverse effect on our business, results of operations and financial condition.

Regulation of Internet

Regulation of the Internet and the content transmitted through that medium is a topic that receives considerable political discussion from time to time, from both a "pro-regulation" and an "anti-regulation" perspective, including discussions on whether all internet traffic should be delivered equally. It is unclear as to what impact decisions made on either side of this issue by various political and governing bodies could have on us and our business or on the ability of our customers to utilize our internet services.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Management is responsible for establishing and maintaining disclosure controls and procedures as defined under National Instrument 52-109. At December 31, 2023, the Chief Executive Officer and Interim 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.

The Company has adopted a work-from-home program since March 16, 2020. As substantially all of the Company's day-to-day activities can be fully performed by personnel working remotely, the Company is able to remain fully operational during this period, and continues to pursue revenue opportunities, execute on its product development roadmap and generate revenue from both new and existing customers. The Company has complied with applicable federal, provincial and other local regulations related to the pandemic. The Company will continue to monitor closely developments in this regard, with the health and safety of the Company's employees and management as the primary concern.

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 controls 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 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 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. There have been no changes to the Company's internal controls over financial reporting in the period that have materially affected or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

The control framework used to design TERAGO's internal control over financial reporting is based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013).

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.

EXECUTIVE MANAGEMENT CHANGES

- Effective November 11, 2023, Fadi Joseph was appointed as Vice President, Sales & Marketing of the Company.
- Effective June 12, 2023, Daniel Vucinic was appointed as Chief Executive Officer of the Company.
- Effective June 11, 2023, Matthew Gerber, Chief Executive Officer, was no longer with the Company.
- Effective March 9, 2023, Blake Wetzel, Chief Revenue Officer, was no longer with the Company.
- Effective May 5, 2022, Philip Jones was appointed as Chief Financial Officer of the Company. On January 2, 2024, Philip Jones and the Company entered into a mutual separation agreement, effective February 29, 2024. Effective March 1, 2024, Parveen Mithra (current Director of Finance) has been appointed Interim Chief Financial Officer until such time as a permanent CFO is appointed.

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.

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.

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, impairment losses, 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, income taxes, impairment losses, 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, income 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 expense (recovery) and restructuring, acquisition-related and integration costs and

other costs. The most directly comparable GAAP financial measure in the Company's financial statements is Earnings (loss) from Operations. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to Earnings (loss) from Operations 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 presented by other issuers. See "Results of Operations – Adjusted EBITDA" for reconciliation of net loss to Adjusted EBITDA.

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.