



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022, AND 2021

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 November 9, 2022, and should be read in conjunction with our unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2022, 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 our business and the economic environment in which the business operates. All such statements are made pursuant to the 'safe harbour' provisions of, and are intended to be forward-looking statements under, applicable Canadian securities laws. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. For example, the words *anticipate, believe, plan, estimate, expect, intend, should, may, could, objective* and similar expressions are intended to identify forward-looking statements. This MD&A includes, but is not limited to, forward looking statements regarding TERAGO's growth strategy, strategic plan, the growth in TERAGO's business, retention campaign and initiatives to improve customer service, additional capital expenditures, investments in products and other IT services, and the Company's 5G technical trials and 5G private network business strategy. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed with the forward-looking statements. When relying on forward-looking statements to make decisions with respect to the Company, you should carefully consider the risks, uncertainties and assumptions, including the risk that TERAGO's growth strategy and strategic plan will not generate the result intended by management, retention efforts decreasing profit margins, opportunities for expansion and acquisition not being available or at unfavourable terms, TERAGO's "go-to-market" strategy may not materialize, trends in the global 5G, and connectivity sectors may not be accurately projected, future ISED decisions in upcoming Consultations being unfavourable to the Company, the technical 5G trial the Company is currently conducting may not generate the results intended, the lack of availability of suitable 5G radio equipment, the inability of the Company to successfully launch a 5G private network business, new market opportunities for 5G may not exist or require additional capital that may not be available to the Company, prolonged economic impacts from the ongoing COVID-19 pandemic, and those risks set forth in the "Risk Factors" section of this MD&A and other uncertainties and potential events. If any of the risks materialize, the expectations and 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, we do not intend, and disclaim any obligation, to update or revise any forward-looking statements whether in words, oral or written as a result of new information, future events or otherwise.

OVERVIEW

Key Development and Financial Highlights

- On January 20, 2022, TERAGO announced it had entered into a definitive agreement to sell its cloud and colocation business lines to a subsidiary of Hut 8 Mining Corp. (Nasdaq: HUT) (TSX: HUT) for an aggregate consideration of Cdn.\$30 million in cash (the "Divestiture"). The Divestiture enables TERAGO to focus on its core wireless business and leverage TERAGO's extensive millimeter wave spectrum licenses to grow its mmWave 5G private networks for businesses. The Divestiture subsequently closed on January 31, 2022
- TERAGO's revenues for the nine months ended September 30, 2022, which include one month of cloud and colocation revenues, and included certain connectivity revenues associated with the cloud and colocation customers. These revenues were included in the Divestiture and will not be part of TERAGO's revenues from February 1, 2022, onward.
- Total revenue decreased 39.4% to \$6.6 million for the three months ended September 30, 2022, compared to \$10.9 million for the same period in 2021. The decrease in revenue was driven by the Divestiture.
- Accounting for one-time in period impacts from outage credits in Q3 2022, gross connectivity revenues increased by 2.5% to \$6.7M the three months ended September 30, 2022 compared to \$6.5M for the same period in 2021.
- Net loss for the three months ended September 30, 2022, was \$2.9 million compared to a net loss of \$2.3 million in the same period in 2021. The higher net loss was driven by one-time restructuring costs, non-recurring financing costs and transaction expenses related to the Divestiture.
- Adjusted EBITDA^{1,2} was \$0.6 million for the three months ended September 30, 2022, compared to \$3.1 million for the same period in 2021. The decrease driven by the impact of the Divestiture transaction, the non-recurring credits given this quarter, along with other non-recurring in period charges.

Other Key Developments

- TERAGO's Net Promoter Score ("NPS"), a widely utilized industry measurement of customer loyalty and relationships was +44 across Q3 2022 with its connectivity customers, which compares very favourably with other network operators. NPS score would have been +58 if not for the impact of carrier outages.
- Customer churn decreased quarter on quarter to 0.7% in Q3 2022 from 0.9% in Q2 2022.
- On September 29, 2022, the Company entered into a three-year USD\$20 million secured debt facility with CrowdOut Capital LLC.

¹ Adjusted EBITDA is a non-GAAP measure. See "Definitions – Key Performance Indicator, IFRS, Additional GAAP and Non-GAAP Measures.

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

TERAGO OVERVIEW

TERAGO provides wireless connectivity and private 5G wireless networking services to businesses operating across Canada. The Company holds 2120 MHz of exclusive spectrum licenses in the 24 GHz and 38 GHz spectrum bands, which it utilizes to provide secure and reliable enterprise grade networking and connectivity services. TERAGO serves over 1800 Canadian and Global businesses operating in major markets across Canada, including Toronto, Montreal, Calgary, Edmonton, Vancouver, Ottawa and Winnipeg, and has been providing wireless services since 1999. For more information about TERAGO, please visit www.terago.ca.

TERAGO'S NETWORK

TERAGO owns and operates a carrier-grade Multi-Protocol Label Switching ("MPLS") enabled wireline and fixed wireless, Internet Protocol ("IP") communications network in Canada, providing businesses with high performance, scalable, and secure access data connectivity, and associated managed network 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 99.9% service availability, industry leading mean time to repair, and 24 x 7 telephone and e-mail access to technical support specialists.

TERAGO offers Canadian businesses high performance unlimited and usage-based dedicated Internet access with upload and download speeds from 5 megabits per second ("Mbps") up to 1 gigabit per second ("Gbps"). TERAGO enhances service performance by minimizing the number of networks between our customers and their audiences, using peering arrangements with multiple tier-one carriers to connect to the Internet.

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 where necessary with carrier diverse leased fibre optic facilities. Major Internet peering and core locations are centralized in Vancouver, Toronto and Seattle, to provide georedundancy and high availability.

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, provides Quality of Service ("QoS") capabilities to improve performance and traffic management.

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 and has a total coverage of approximately 23.8 million of the population in Canada (or nearly 10 million households)¹. This spectrum is used to deploy point-to-point and point-to-multipoint microwave radio systems, interconnecting core hubs in ring architectures (where possible) to backhaul metro area network traffic and in the access network or "last mile" to deliver high capacity (speeds of 20Mbps to 1Gbps) IP-based services for business, government and mobile backhaul.

¹ Based on 2016 Canadian Census data cited by ISED.

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

In June 2018, ISED published its overall approach and planned activities for spectrum over the next five years in a document titled *Spectrum Outlook 2018 to 2022*. In such document, ISED has confirmed 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. A timeline for the release of the 38 GHz band, which has been designated as a Priority 1 band was initially set for the end of 2021 but is expected to be delayed several years due to the ongoing COVID-19 pandemic and ISED's recent mid-band spectrum consultations and auction.

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

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

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For the three and nine months ended September 30, 2022

RESULTS OF OPERATIONS

Comparison of the three- and nine-months September 30, 2022, and 2021

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

	Three months ended September 30		Nine months ended September 30	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Financial				
Cloud and Colocation Revenue *	\$ -	4,369	1,355 *	12,796 *
Connectivity Revenue *	\$ 6,516	6,507	19,575 *	19,812 *
Other Revenue	\$ 116	-	357	-
Total Revenue	\$ 6,632	10,876	21,287	32,608
Cost of Services ¹	\$ 1,799	2,841	5,859	8,038
Selling, General, & Administrative Costs	\$ 4,884	5,714	15,379	16,995
Gross profit margin	72.9%	73.9%	72.5%	75.3%
Adjusted EBITDA ^{1,2}	\$ 610	3,116	2,742	9,718
Net loss	\$ (2,913)	(2,255)	(9,165)	(6,217)
Basic loss per share	\$ (0.15)	(0.11)	(0.47)	(0.34)
Diluted loss per share	\$ (0.15)	(0.11)	(0.47)	(0.34)
Operating				
<u>Backlog MRR¹</u>				
Connectivity	\$ 138,893	102,911	138,893	102,911
<u>Churn Rate¹</u>				
Connectivity	0.7%	0.9%	0.8%	1.2%
<u>ARPU^{1*}</u>				
Connectivity	\$ 1,099	1,026	1,092 *	1,032 *

*The three and nine months ended September 30, 2021, comparative numbers for Cloud and Colocation Revenue, Connectivity Revenue, and ARPU have changed to conform with the presentation of revenue stream allocations for Q3 2022.

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 decreased 39.4% to \$6.6 million and 34.7% to \$21.3 million for the three and nine months ended September 30, 2022, respectively, compared to \$10.9 million and \$32.6 million for the same periods in 2021. The decrease in revenue was driven by the Divestiture of the cloud and colocation lines of business in Q1 2022.

Connectivity Revenue

For the three months ended September 30, 2022, Connectivity revenue was flat at \$6.5 million to compared to the same period in 2021. Revenue would have increased by \$0.15 million over the same quarter in the prior year if not for one-time, non-recurring credits provided to customers in the quarter due to service interruptions experienced by one of the Company's suppliers. For the nine months ended September 30, 2022, Connectivity revenue decreased 1.0% from \$19.8 million in 2021 to \$19.6 million in the current year. Compared to the prior quarter, Connectivity revenue for Q3 2022 decreased 1%, over Q2 2022. Revenue would have increase by \$0.07 million, on a gross bases, net of one-time credits. The gross revenue growth quarter over quarter is the result of a combination of factors including the

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

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strategy to focus growth efforts on Enterprise customer and multi-location customers. Continued focus on industry leading customer service has also resulted in maintaining lower churn to better maintain the revenue base from existing customers.

Cloud and Colocation Revenue

For the three and nine months ended September 30, 2022, cloud and colocation revenue decreased by 100.0% to \$0.0 million and by 83.3% to \$1.4 million compared to \$4.4 million and \$12.8 million for the same periods in 2021. The decrease was a result of the Divestiture of these two business lines.

Other Revenue

For the three and nine months ended September 30, 2022, the Company earned \$0.1 million and \$0.4 million in other revenue (2021 - \$nil for both periods) for providing transition services in accordance with the Divestiture transaction. This revenue stream will wind down by end of year.

Cost of Services

For the three and nine months ended September 30, 2022, cost of services decreased by 35.7% to \$1.8 million and 26.3% to \$5.9 million compared to \$2.8 million and \$8.0 million in the same periods in 2021. The decrease is entirely the result of the Divestiture of the Cloud and Colocation business.

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

For the three and nine months ended September 30, 2022, SG&A decreased by 14.0% to \$4.9 million (\$4.5 million net of restructuring costs) and 9.4% to \$15.4 million (\$13.9 million net of restructuring costs) respectively compared to \$5.7 million and \$17.0 million for the same periods in 2021. The overall decrease is the result of lower headcount and operating costs following the Divestiture. The Company did incur a further \$0.4 million in restructuring costs in Q3 2022 (Q2 2022 - \$0.7 million) as a result of the Divestiture. The Company does anticipate further restructuring costs in the balance of the year, however, does anticipate these costs continuing to decline.

Net loss

Net loss for the three and nine months ended September 30, 2022, was \$2.9 million and \$9.2 million respectively, compared to a loss of \$2.3 million and \$6.2 million in the same periods in 2021. The higher net loss was driven by one-time restructuring expenses and lower gross profit due to the Divestiture.

Adjusted EBITDA^{1, 2}

Adjusted EBITDA decreased 81% to \$0.6 million and 72% to \$2.7 million for the three and nine months ended September 30, 2022, respectively compared to \$3.1 million and \$9.7 million for the same periods in 2021. The decrease was driven by the impacts of the Divestiture.

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

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

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The table below reconciles net loss to Adjusted EBITDA¹ for the three and nine months ended September 30, 2022, and 2021.

<i>(in thousands of dollars) (unaudited)</i>	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Net earnings (loss) for the period	\$ (2,913)	(2,255)	(9,165)	(6,217)
Foreign exchange loss (gain)	4	19	38	(21)
Finance costs	334	929	1,598	2,981
Finance income	(38)	(13)	(85)	(37)
Impairment loss on held for sale assets	-	-	107	-
Earnings (loss) from operations	(2,613)	(1,320)	(7,507)	(3,294)
Add:				
Depreciation of network assets, property and equipment and amortization of intangible assets	2,562	3,641	7,556	10,869
Loss on disposal of network assets and leases	-	46	171	169
Impairment of assets and related charges	58	81	432	308
Stock-based compensation expense (recovery)	229	155	573	634
Restructuring, acquisition-related, integration costs and other	374	513	1,517	1,032
Adjusted EBITDA¹	\$ 610	3,116	2,742	9,718

Backlog MRR¹

Connectivity backlog MRR was \$138,893 at September 30, 2022, compared to \$133,436 as at June 30, 2022, and \$102,911 as at September 30, 2021. The increase in backlog over both comparable periods is a result of a strong sales performance in signing up new customers, particularly through the Company's channel partners.

ARPU¹

For the three months ended September 30, 2022, connectivity ARPU was \$1,099 compared to \$1,118 as at June 30, 2022, and \$1,026 as at September 30, 2021. ARPU decreased from the prior quarter due to the impact of one-time non-recurring credits. Without the impact of the credits ARPU would have increased to \$1,122.

Churn¹

For the three months ended September 30, 2022, connectivity churn was 0.7% compared to 0.9% for Q2 2022 and compared to 0.9% for Q3 2021. The decrease in customer churn quarter over quarter and from the prior year was due to the continued execution of the Company's strategy to focus on large Mid-Market, multi-location and Enterprise customers. The customers lost in the quarter were primarily smaller customers with single locations. The overall results in the nine months ended September 30, 2022, are well below the Company's historical churn rate and consistent with the current year to date churn rate of 1.2%.

Finance costs

For the three and nine months ended September 30, 2022, finance costs were level to \$0.3 million and decreased 46.7% to \$1.6 million for each period respectively and compared to \$0.9 million and \$3.0 million for the three- and nine-months period ended September 30, 2021, as a result of the differences in the financing activities taking place in the respective periods.

Depreciation and amortization

For the three and nine months ended September 30, 2022, depreciation of network assets, property and equipment, and amortization of intangibles decreased 27.8% to \$2.6 million and 30.3% to \$7.6 million for each period respectively, compared to \$3.6 million and \$7.6 million for the same periods in 2021. The decrease is the result of fewer amortizing assets as a result of the assets and intangibles sold or transferred by way of the Divestiture.

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

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Summary of Quarterly Results

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

(unaudited)		Q3-22	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	Q1-21	Q4-20
Financial									
Revenue	\$	6,632	6,731	7,924	10,695	10,876	10,903	10,829	10,904
Gross Profit Margin % ¹		72.9%	72.8%	71.8%	71.0%	73.9%	75.4%	76.8%	75.0%
Adjusted EBITDA ^{1,1}	\$	610	1,019	1,113	2,330	3,116	3,369	3,233	3,695
Net income/(loss)	\$	(2,913)	(3,112)	(3,140)	(8,955)	(2,255)	(1,796)	(2,166)	(2,221)
Basic income/(loss) per share	\$	(0.15)	(0.16)	(0.16)	(0.46)	(0.11)	(0.09)	(0.13)	(0.13)
Diluted income/(loss) per share	\$	(0.15)	(0.16)	(0.16)	(0.46)	(0.11)	(0.09)	(0.13)	(0.13)
Basic weighted average number of shares outstanding		19,700	19,683	19,669	19,655	19,635	19,618	16,773	16,750
Diluted weighted average number of shares outstanding		19,700	19,683	19,669	19,655	19,635	19,618	16,733	16,750
Operating									
<u>Backlog MRR¹</u>									
Connectivity	\$	138,893	133,436	126,631	110,481	102,911	126,834	131,078	129,676
<u>Churn¹</u>									
Connectivity		0.7%	0.9%	0.7%	0.7%	0.9%	1.4%	1.3%	1.4%
<u>ARPU¹</u>									
Connectivity	\$	1,099	1,118	1,061	1,043	1,026	1,032	1,039 *	1,057 *

**The comparative ARPU numbers for the historic quarterly results presented above have changed to conform with the presentation of ARPU revenue allocations for Q3 2022.*

Seasonality

With respect to the connectivity business, the Company's net customer launch, which results in revenue growth, is affected by seasonality. Onboarding of new customers is negatively impacted by adverse weather conditions as the majority of new customer locations require the installation of rooftop equipment before any revenue is earned. Summer months are often negatively impacted due to vacation schedules of both the Company and customers as well as landlord access to rooftops and hub sites.

¹ Adjusted EBITDA is a non-GAAP measure. See "Definitions – Key Performance Indicator, IFRS, Additional GAAP and Non-GAAP Measures.

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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 September 30		Nine months ended September 30	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Statement of Cash Flows Summary				
Cash inflows and (outflows) by activity:				
Operating activities	\$ (152)	2,587	213	6,807
Investing activities	(889)	(1,890)	20,522	(6,353)
Financing activities	(1,361)	(3,871)	(24,435)	374
Net cash inflows (outflows)	(2,402)	(3,174)	(3,700)	828
Cash and cash equivalents, beginning of period	4,183	9,860	5,481	5,858
Cash and cash equivalents, end of period *	\$ 1,781	6,686	1,781	6,686

*Short-term investments of \$1.147 million are not included in "Cash and cash equivalents, end of period"

Operating Activities

For the three and nine months ended September 30, 2022, cash used for operating activities was \$0.2 million and generated \$0.2 million respectively, compared to cash generated from operating activities of \$2.6 million and \$6.8 million for the same periods in 2021. The decrease was primarily due to a higher loss from operations and higher cash payments for restructuring activities.

Investing Activities

For the three and nine months ended September 30, 2022, cash used for investing activities was \$0.9 million and generated \$20.5 million respectively, compared to cash used of \$1.9 million and \$6.3 million for the same periods in 2021. The investing activities in the three months ended September 30, 2022, was mainly the result of the purchase of fixed assets. The increase in cash generated for the nine months ended September 30, 2022, from investing activities was due to the net proceeds received from the Divestiture, offset by fixed assets expenditures in the period.

Financing Activities

For the three and nine months ended September 30, 2022, cash used from financing activities was \$1.4 million and \$24.4 million respectively, compared to cash used in financing activities of \$3.9 million and generated by financing activities of \$0.4 million for the same periods in 2021. The change in cash use and generation in the comparative periods are due to the relative timing of financing activities such as debt repayment, debt carrying costs and capital raising transactions in 2021.

Capital Resources

As at September 30, 2022, the Company had cash and cash equivalents of \$1.8 million plus additional short-term investments of \$1.1 million and access to a revolving facility as described below, subject to the terms and conditions of the credit facilities.

The Company anticipates incurring additional capital expenditures for the purchase and installation of network, and customer premise equipment as dictated by business needs.

Management believes the Company's current cash, short term investments, anticipated cash from operations and access to the undrawn portion of debt facilities will be sufficient to meet its working capital and capital expenditure requirements for at least the twelve-month period following September 30, 2022. Considering the current COVID-19 pandemic and the impacts it has had on businesses globally, including that of the Company (see "Risk Factors)", the

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Company continues to monitor its cash position closely.

Debt Facility

On February 1, 2022, TERAGO repaid all indebtedness, liabilities and other obligations, totaling \$20.0 million, against its previous term debt facility, and the credit facility was terminated. TERAGO was released and discharged from all obligations, liabilities, claims and demands under and in respect of the credit facility, other than certain provisions which expressly survive repayment of the obligations.

On January 31, 2022, the Company entered into a demand revolving credit facility with the Royal Bank of Canada ("RBC"). As at September 30, 2022, \$nil (June 30, 2022 - \$nil) was drawn and outstanding on the demand facility, while letters of credit issued under the facility totaled \$0.2 million.

On September 29, 2022, the Company entered into a three-year, USD\$20 million secured debt facility with CrowdOut Capital LLC. The facility was undrawn at period end. The Company did draw the first US\$5 million, in accordance with the terms of the agreement, subsequent to period end.

Share Capital

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

As of September 30, 2022, there were 19.7 million Common Shares issued and outstanding. In addition, as of September 30, 2022, there were 485 thousand Common Shares issuable upon exercise of TERAGO stock options, 42 thousand Common Shares issuable upon vesting of restricted share units, 37 thousand Common Shares issuable upon vesting of performance share units, and 1,401 thousand Common Shares issuable upon exercise of warrants which were issued to certain institutional investors pursuant to the Private Placement.

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 summary of the material risks that could significantly affect the financial condition, operating results or business of TERAGO, are set out in our management's discussion and analysis for the fiscal year ended December 31, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING AND DISCLOSURE CONTROLS AND PROCEDURES

Our Chief Executive Officer and Chief Financial Officer designed or caused to be designed under his supervision, TERAGO's disclosure controls and procedures and internal control over financial reporting.

The Company has adopted a work-from-home program as of March 16, 2020. As substantially all 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. Due to the fluidity of the COVID-19 pandemic and the uncertainty of its magnitude, outcome and duration, the Company is unable to definitively quantify its potential impact.

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

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time periods specified in securities legislation. TERAGO's disclosure controls and procedures includes controls and procedures designed to ensure that information required to be disclosed by TERAGO in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to management, as appropriate to allow timely decisions regarding required disclosure.

TERAGO's internal control over financial reporting are designed to provide reasonable assurance regarding reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. 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 IFRS, 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.

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

Non-GAAP Measures

Adjusted EBITDA

The term "EBITDA" refers to earnings before deducting interest, taxes, depreciation and amortization. The Company believes that Adjusted EBITDA is useful additional information to management, the Board and investors as it provides an indication of the operational results generated by its business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration asset depreciation and amortization and it excludes items that could affect the comparability of our operational results and could potentially alter the trends analysis in business performance. Excluding these items does not necessarily imply they are non-recurring, infrequent or unusual. Adjusted EBITDA is also used by some investors and analysts for the purpose of valuing a company. The Company calculates Adjusted EBITDA as earnings before deducting interest, taxes, depreciation and amortization, foreign exchange gain or loss, finance costs, finance income, gain or loss on disposal of network assets, property and equipment, impairment of property, plant, & equipment and intangible assets, stock-based compensation and restructuring, acquisition-related and integration costs. Investors are cautioned that Adjusted EBITDA should not be construed as an alternative to operating earnings or net earnings determined in accordance with IFRS as an indicator of our financial performance or as a measure of our liquidity and cash flows. Adjusted EBITDA does not take into

Management's Discussion and Analysis

For the three and nine months ended September 30, 2022

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 IFRS. 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 and services commenced. 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 generating revenue, 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.