MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE THREE MONTHS AND FISCAL YEAR ENDED DECEMBER 31, 2020 AND 2019

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 February 17, 2021 and should be read in conjunction with our audited consolidated financial statements for the fiscal year ended December 31, 2020 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 cloud and data centre businesses, 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 fixed wireless 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, cross-selling of TeraGo's cloud services may not succeed, 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, connectivity, cloud and data centre 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 fixed wireless 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 current 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

Financial Highlights

- Total revenue decreased 9.2% to $10.9 million for the three months ended December 31, 2020 compared to $12.0 million for the same period in 2019. The decrease in revenue was driven by lower connectivity revenue which decreased 11.0% to $6.5 million compared to $7.3 million for the same period in 2019. The decrease in connectivity revenue was attributable to churn exceeding provisioning. Cloud and colocation revenue decreased 6.4% to $4.4 million compared to $4.7 million for the same period in 2019. The decline was due to one-time revenue recognized for an early termination in the prior year period. Total revenue decreased 6.2% to $45.4 million for the year ended December 31, 2020 compared to $48.4 million for the same period in 2019. The decrease was driven by the factors described above.

- Net loss increased 4.8% to $2.2 million for the three months ended December 31, 2020 compared to a net loss of $2.1 million for the same period in 2019. The higher net loss was driven by the decline in revenue. Net loss was $8.3 million for the year ended December 31, 2020 compared to a net loss of $7.0 million for the same period in 2019. The higher net loss was driven by the factor described above.

- Adjusted EBITDA[1,2] decreased 7.5% to $3.7 million for the three months ended December 31, 2020 compared to $4.0 million for the same period in 2019. The decrease was driven primarily by the decrease in revenue. For the year ended December 31, 2020, Adjusted EBITDA decreased 9.1% to $15.9 million compared to $17.5 million for the same period in 2019. The decrease was driven by the factor described above.

Key Developments

- The COVID-19 pandemic continues to impact the Canadian and global economy, including the markets in which the Company and its customers operate. The Company's offices and data centres remain open and in operation to support its customers. Management continues to operate under its pandemic response plan for the Company to ensure it continues to provide services to the customer base while supporting the health and well-being of TeraGo employees. These include: alternative work arrangements and work-from-home policies for back office and other non-field service employees, online education and promotion of social distancing, mandated face coverings at its data centres and other facilities attended by customers and vendors, as well as utilizing the Company's Health and Safety committee, its Senior Leadership Team and the Board of Directors to oversee the administration of the pandemic response plan.

- Due to the uncertainty of the outcome, length, and full extent of the impact the pandemic will have at this time, Management will continue to actively monitor the impacts to the business and make appropriate adjustments to policies, practices, and spending to ensure we continue to offer our services.

- In mid-2019, TeraGo reinstituted a regularly measured Net Promoter Score ("NPS"), a widely utilized industry measurement of customer loyalty and relationships with its customers. TeraGo's NPS score across Q4 2020 was a +62, which compares favourably across both Network and Cloud Operators.

- On June 30, 2020, the Company entered into an amended and restated credit agreement with each of Royal Bank of Canada ("RBC", as new administrative agent and lead lender) and The Toronto-Dominion Bank ("TD"). The parties to the credit agreement agreed, among other things, to extend the maturity date from June 14, 2021 to June 30, 2022. The new facilities under the credit agreement total $35.0M, comprising of a $30.0M non-revolving term facility and a $5.0M revolving operating credit facility.

- On August 4, 2020, Tony Ciciretto ceased to serve as President & CEO of the Company. The Board of Directors appointed David Charron as Interim-CEO. David Charron continues to serve as the Chief Financial Officer.

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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 businesses across Canada with network connectivity, cloud, and colocation services. The Company provides cloud Infrastructure as a Service ("IaaS") computing and storage solutions, data centre colocation solutions, and operates five (5) data centres across Canada. With respect to the Company's connectivity services, it owns and operates a carrier-grade, Multi-Protocol Label Switching ("MPLS") enabled fixed wireless, IP communications network in Canada targeting businesses that require Internet access, private interconnection, and data connectivity services.

The Company provides enterprise-class cloud services to multiple high value, mid-market and enterprise customers across a variety of industry verticals, federal, provincial and municipal governments and agencies, as well as non-profit organizations. The Company is focussed on providing customers with tailored hybrid IT solutions, running their IT workloads with the appropriate mix of on-premise, data centre colocation, private and public cloud environments. It currently has strategic relationships with several technology partners that give it access to certain products and solutions to provide enterprise cloud services.

The Company's subscription-based business model generally generates stable and predictable recurring revenue from cloud, colocation and connectivity services. Once a customer is obtained, TeraGo's strategy is to generate incremental recurring revenue from that customer by cross-selling to bundle customers with multiple services and up-selling within services provided.

Network Connectivity Services	Cloud Services	Colocation Services
• National high performance, scalable Internet access principally via wireless and fibre optics • Active redundancy capability with bundled connectivity solution • Managed network service	• Private and hybrid cloud • IaaS utility computing on virtual and dedicated compute platforms • High performance and secure data storage and archiving • Business Continuity services for critical situations • Managed Services for public and hybrid cloud offerings	• Colocation services in partial, full, or customized cabinets • Managed, Private Dedicated, and Co-location hosting services • Private Vaults protected with biometrics for maximum security • Other value-added services such as hybrid cloud

TERAGO'S BUSINESS MODEL

TeraGo's business strategy is to provide enterprise-class hybrid IT solutions tailored to the mid-market and larger businesses. The Company leverages its existing nationwide data centre footprint, private/multi-tenant cloud capabilities, all underpinned by a resilient national carrier grade network infrastructure, to align with customers' current IT landscape. This allows customers to operate on platforms best suited for their workloads – on-premise, data centre colocation, TeraGo private and multi-tenant cloud, and AWS public cloud – all securely interconnected.

TeraGo's customers typically sign one, two or three-year contracts. Services are billed monthly over the term of the contract.

NETWORK CONNECTIVITY SERVICES

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

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

TeraGo’s IP network 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, although Internet access is also available in all regional markets for further redundancy.

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

Quality of Service Capabilities

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

Radio Spectrum

24-GHz and 38-GHz Wide-area Licences
The Company owns a national spectrum portfolio of 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.

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” licences for an equal amount of spectrum upon expiry of the current 10-year licence term, or earlier upon voluntary licence cancellation. Flexible use licences 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 licences 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

[1] Based on 2016 Canadian Census data cited by ISED.

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 previously set for the end of 2021 but may be subject to delay due to the COVID-19 pandemic.

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 2020 AIF**.**

CLOUD SERVICES

TeraGo provides cloud services that seek to meet the complex and evolving IT needs of our customers. TeraGo provides IaaS for compute, storage, disaster recovery cloud solutions and other offerings. These solutions allow the Company to compete in the cloud services market.

TeraGo offers customized cloud storage and compute offerings to customers across Canada. TeraGo cloud can offer a virtualized computing environment whereby customers can access on-demand computing without the need to acquire and maintain expensive server equipment. TeraGo can also provide offsite cloud storage for key backup and disaster recovery situations, including utilizing partnerships with software and hardware vendors such as Veeam, Zerto and Pure Storage. The Company has strategic relationships and partnerships with technology leaders such as IBM, Cisco, VMware, Microsoft, and others that gives it early access to intelligence, products and solutions to provide enterprise cloud services.

COLOCATION SERVICES

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

Hosting and colocation revenue is derived from set-up fees for new installations and monthly recurring charges based on the number of cabinets and/or the quantity of cage space, power requirements, managed services provided and Internet/data bandwidth requirements. Other services, such as disaster recovery services, are provided under custom contractual arrangements.

TeraGo also offers a variety of managed hosting solutions, which may require us to manage various aspects of a customer's hardware, software or operating systems in public or privately accessible environment. TeraGo offers disaster recovery services on a custom basis. These facilities can be provisioned at the data centre location and provide customers with the capability to restore office functionality with direct access to their information located in the data centre.

Our network can provide these customers Internet and/or secure private interconnections between the data centre facility and the customer's office location(s).

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

Data Centre Facilities

TeraGo’s data centres provide IT solutions, including colocation and disaster recovery, to a roster of small and medium-sized businesses, enterprises, public sector and technology service providers. TeraGo has approximately 60,000 square feet of data centre capacity in the five (5) facilities it operates across Canada:

Mississauga, Ontario
TeraGo operates a 10,000 square foot AT 101 SOC2 Type 2 compliant data centre facility in Mississauga, Ontario that was previously managed by BlackBerry Limited and built to a tier 3 standard. This facility predominantly serves the Greater Toronto Area.

Vaughan, Ontario
TeraGo operates a 16,000 square foot AT 101 SOC2 Type 2 compliant data centre facility in Vaughan, Ontario, serving the Greater Toronto Area.

Kelowna, British Columbia
TeraGo operates its 18,000 square feet AT 101 SOC2 Type 2 compliant data centre in Kelowna named the GigaCenter. The GigaCenter is built to a tier 3 standard and the location in Kelowna is considered ideal for a data centre as the region is considered a seismically stable geographic location, has a temperate climate and has a lower probability of both natural and man-made events that may be a risk.

Vancouver, British Columbia
TeraGo operates two AT 101 SOC2 Type 2 compliant data centre facilities in downtown Vancouver. Its first facility is approximately 7,000 square feet. The facility has redundant fibre facilities between the data centre and the ‘telco hotel’, 555 West Hastings, in downtown Vancouver. The second facility is 7,000 square feet and is served by TeraGo’s fibre optic lines. Both facilities are used to service the Greater Vancouver Area.

SELECTED ANNUAL INFORMATION

The following table displays a summary of our Consolidated Statements of Comprehensive Earnings (Loss) for the three months ended December 31, 2020 and 2019 and the years ended December 31, 2020, 2019 and 2018 and a summary of select Balance Sheet data as at December 31, 2020, 2019 and 2018.

(in thousands of dollars, except with respect to earnings (loss) per share)		**Three months ended December 31**			**Year ended December 31**		
		2020	**2019**		**2020**	**2019**	**2018[1]**
Revenue							
Cloud and colocation revenue	$	4,382	4,706	$	17,427	18,064	19,290
Connectivity revenue		6,522	7,291		28,021	30,373	35,005
Total Revenue		10,904	11,997		45,448	48,437	54,295
Expenses							
Cost of services		2,723	2,704		9,816	9,647	13,982
Salaries and related costs, net		3,571	4,046		16,254	17,511	19,132
Other operating expenses		2,080	2,583		7,940	8,314	12,010
Amortization of intangible assets		360	440		1,508	1,799	2,354
Depreciation of network assets, property and equipment		3,283	3,308		13,301	13,488	9,401
		12,017	13,081		48,819	50,759	56,879
Earnings (loss) from operations		(1,113)	(1,084)		(3,371)	(2,322)	(2,584)
Foreign exchange gain (loss)		(2)	(28)		(210)	(69)	(2)
Finance costs		(1,115)	(1,090)		(4,777)	(4,769)	(2,315)
Finance income		9	82		99	166	81
Earnings (loss) before income taxes		(2,221)	(2,120)		(8,259)	(6,994)	(4,820)
Income taxes							
Income tax recovery (expense)		0	0		-	-	-
Net earnings (loss) and comprehensive earnings (loss)	$	(2,221)	(2,120)	$	(8,259)	(6,994)	(4,820)
Deficit, beginning of year [1]		(87,327)	(79,169)		(81,289)	(74,295)	(69,475)
Deficit, end of year	$	(89,548)	(81,289)	$	(89,548)	(81,289)	(74,295)
Basic earnings (loss) per share	$	(0.13)	(0.13)	$	(0.49)	(0.43)	(0.32)
Diluted earnings (loss) per share	$	(0.13)	(0.13)	$	(0.49)	(0.43)	(0.32)
Basic weighted average number of shares outstanding		16,750	16,623		16,693	16,195	15,123
Diluted weighted average number of shares outstanding		16,750	16,623		16,693	16,195	15,123

Selected Balance Sheet Data	**As at December 31**					
		2020		**2019**		**2018[1]**
Cash and cash equivalents	$	5,858	$	8,686	$	3,918
Accounts receivable	$	2,500	$	2,889	$	3,604
Prepaid expenses and other assets	$	804	$	727	$	996
Network assets, property and equipment	$	56,649	$	59,562	$	35,346
Total Assets	$	103,168	$	110,677	$	84,349
Accounts payable and accrued liabilities	$	5,403	$	4,599	$	5,781
Long-term debt	$	28,144	$	28,470	$	32,294
Other long-term liabilities	$	-	$	235	$	1,092
Shareholders' equity	$	40,866	$	48,105	$	44,643

(1) The Company has applied IFRS 16 on January 1, 2019 using the modified retrospective approach. Under this method, the comparative information as at and for the year ended December 31, 2018 is not restated. See "Accounting Pronouncements Adopted in 2019" in the Company's MD&A for the three months and fiscal years ended December 31, 2019 and 2018.

RESULTS OF OPERATIONS

Comparison of the three months and year ended December 31, 2020 and 2019
(in thousands of dollars, except with respect to gross profit margin, earnings per share, Backlog MRR, and ARPU)

		Three months ended December 31		Year ended December 31	
		2020	2019	2020	2019
Financial					
Cloud and Colocation Revenue	$	4,382	4,706	17,427	18,064
Connectivity Revenue	$	6,522	7,291	28,021	30,373
Total Revenue	$	10,904	11,997	45,448	48,437
Cost of Services[1]	$	2,723	2,704	9,816	9,647
Selling, General, & Administrative Costs	$	5,651	6,628	24,194	25,825
Gross profit margin[1]		75.0%	77.5%	78.4%	80.1%
Adjusted EBITDA[1, 2]	$	3,695	4,006	15,920	17,477
Net loss	$	(2,221)	(2,120)	(8,259)	(6,994)
Basic loss per share	$	(0.13)	(0.13)	(0.49)	(0.43)
Diluted loss per share	$	(0.13)	(0.13)	(0.49)	(0.43)
Operating					
Backlog MRR[1]					
Connectivity	$	129,676	92,096	129,676	92,096
Cloud & Colocation	$	56,437	18,615	56,437	18,615
Churn Rate[1]					
Connectivity		1.4%	1.4%	1.5%	1.4%
Cloud & Colocation		1.0%	0.9%	1.0%	1.3%
ARPU[1]					
Connectivity	$	1,025	1,019	1,032	1,022
Cloud & Colocation	$	3,582	3,393	3,386	3,262

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 9.2% to $10.9 million for the three months ended December 31, 2020 compared to $12.0 million for the same period in 2019. Revenue decreased 6.2% to $45.4 million for the year ended December 31, 2020 compared to $48.4 million for the same period in 2019.

Connectivity Revenue
For the three months ended December 31, 2020, connectivity revenue decreased 11.0% to $6.5 million compared to $7.3 million for the same period in 2019. The decrease was attributable to churn exceeding customer provisioning.

For the year ended December 31, 2020, connectivity revenue decreased 7.9% to $28.0 compared to $30.4 million for the same period in 2019. The decrease was driven by the factors described above.

Cloud and Colocation Revenue
For the three months ended December 31, 2020, cloud and colocation revenue decreased 6.4% to $4.4 million compared to $4.7 million for the same period in 2019. The decline was due to one-time revenue recognized for an early termination in the prior year period. Normalizing for this one-time revenue in the prior year period, cloud and colocation revenue would have grown 0.6% for the three months ended December 31, 2020.

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

For the year ended December 31, 2020, cloud and colocation revenue decreased 3.9% to $17.4 million compared to $18.1 million for the same period in 2019. The decrease was driven by the factor described above.

Cost of Services
For the three months ended December 31, 2020, cost of services was flat at $2.7 million compared to cost of services of $2.7 million in the same period in 2019.

For the year ended December 31, 2020, cost of services increased 2.1% to $9.8 million compared to $9.6 million in the same period in 2019. The increase was driven by an increase in the cost of connectivity services.

Salaries and related costs and other operating expenses ("SG&A")
For the three months ended December 31, 2020, SG&A decreased 13.6% to $5.7 million compared to $6.6 million for the same period in 2019. The decrease was driven by lower salaries, severance charges and travel expenses.

For the year ended December 31, 2020, SG&A decreased 6.2% to $24.2 million compared to $25.8 million for the same period in 2019. The decrease was primarily due to Government grants of $1.3 million received due to COVID-19.

Net loss
Net loss increased 4.8% to $2.2 million for the three months ended December 31, 2020 compared to a net loss of $2.1 million for the same period in 2019. The higher net loss was driven by lower revenue.

Net loss was $8.3 million for the year ended December 31, 2020 compared to a net loss of $7.0 million for the same period in 2019. The higher net loss was driven by the factor described above.

Adjusted EBITDA [1, 2]
Adjusted EBITDA decreased 7.5% to $3.7 million for the three months ended December 31, 2020 compared to $4.0 million for the same period in 2019. The decrease was driven primarily by the decrease in revenue.

For the year ended December 31, 2020, Adjusted EBITDA decreased 9.1% to $15.9 million compared to $17.5 million for the same period in 2019. The decrease was driven by the factor described above.

The table below reconciles net loss to Adjusted EBITDA[1] for the three months and year ended December 31, 2020 and 2019.

(in thousands of dollars)	Three months ended December 31		Year ended December 31	
	2020	**2019**	**2020**	**2019**
Net earnings (loss) for the period	$ (2,221)	(2,120)	$ (8,259)	(6,994)
Foreign exchange loss (gain)	2	28	210	69
Finance costs	1,115	1,090	4,777	4,769
Finance income	(9)	(82)	(99)	(166)
Earnings (loss) from operations	(1,113)	(1,084)	(3,371)	(2,322)
Add:				
Depreciation of network assets, property and equipment and amortization of intangible assets	3,643	3,748	14,809	15,287
Loss on disposal of network assets	77	93	198	296
Impairment of Assets and Related Charges	654	625	1,139	808
Stock-based Compensation Expense (Recovery)	276	341	1,515	1,984
Restructuring, acquisition-related, integration costs and other	158	283	1,630	1,424
Adjusted EBITDA[4]	$ 3,695	4,006	$ 15,920	17,477

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.

Backlog MRR [4]
Connectivity backlog MRR was $129,676 as at December 31, 2020, compared to $92,096 as at December 31, 2019. The increase in backlog MRR is driven primarily by higher sales volume from both the direct sales team and the channel team compared to the prior year period.

Cloud and colocation backlog MRR was $56,437 as at December 31, 2020 compared to $18,615 as at December 31, 2019. The increase in backlog MRR is driven higher sales volume compared to the prior year.

ARPU [4]
For the three months ended December 31, 2020 connectivity ARPU was $1,025 compared to $1,019 for the same period in 2019. The ARPU increased slightly as the Company continues to focus on acquiring and retaining mid-market business customers. For the year ended December 31, 2020 connectivity ARPU was $1,032 compared to $1,022 for the same period in 2019. The increase was driven by the factors described above.

For the three months ended December 31, 2020 cloud and colocation ARPU was $3,582 compared to $3,393 for the same period in 2019. The increase is due to customer upgrades and cross-selling activities as well as the churn of lower ARPU customers. For the year ended December 31, 2020 cloud & colocation ARPU was $3,386 compared to $3,262 for the same period in 2019. The increase was driven by the factors described above.

Churn [1]
For the three months ended December 31, 2020, connectivity churn was 1.4% compared to 1.4% for the same period in 2019. The Company's customer retention initiatives have stabilized churn. For the year ended December 31, 2020 connectivity churn was 1.5% compared to 1.4% for the same period in 2019. The increase is due to elevated churn experienced in the second quarter of 2020 that was associated with the onset of the COVID-19 pandemic.

For the three months ended December 31, 2020, cloud and colocation churn was 1.0% compared to 0.9% for the same period in 2019. Churn in the three months ended December 31, 2020 remained at a consistent level due to ongoing customer retention initiatives. For the year ended December 31, 2020 cloud and colocation churn was 1.0% compared to 1.3% for the same period in 2019. The decrease was driven by ongoing customer retention initiatives.

Finance costs
For the three months ended December 31, 2020, finance costs were flat at $1.1 million compared to $1.1 million for the same period in 2019.

For the year ended December 31, 2020 finance costs were flat at $4.8 million compared to $4.8 million for the same period in 2019.

Depreciation and amortization
For the year ended December 31, 2020 depreciation of network assets, property and equipment and amortization of intangibles decreased 3.3% to $14.8 million compared to $15.3 million for the same period in 2019. The decrease was due to impaired and fully depreciated assets.

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, Backlog MRR, Churn Rate, and ARPU

		Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Financial									
Revenue	$	10,904	11,279	11,648	11,617	11,997	11,814	12,229	12,397
Gross Profit Margin %[1]		75.0%	77.8%	80.0%	80.6%	77.5%	80.3%	80.7%	81.8%
Adjusted EBITDA[4]	$	3,695	3,775	4,828	3,622	4,006	4,358	4,523	4,590
Net income/(loss)	$	(2,221)	(3,179)	(656)	(2,203)	(2,120)	(915)	(2,771)	(1,188)
Basic income/(loss) per share	$	(0.13)	(0.19)	(0.04)	(0.13)	(0.13)	(0.06)	(0.18)	(0.08)
Diluted income/(loss) per share	$	(0.13)	(0.19)	(0.04)	(0.13)	(0.13)	(0.06)	(0.18)	(0.08)
Basic weighted average number of shares outstanding		16,750	16,715	16,670	16,635	16,623	16,579	15,790	15,775
Diluted weighted average number of shares outstanding		16,750	16,715	16,670	16,635	16,623	16,579	15,790	15,775
Operating									
Backlog MRR[4]									
Connectivity	$	129,676	113,231	86,903	89,296	92,096	47,672	57,081	71,624
Cloud & Colocation	$	56,437	31,935	18,864	18,225	18,615	37,237	17,049	37,094
Churn Rate [4]									
Connectivity		1.4%	1.4%	1.7%	1.5%	1.4%	1.3%	1.6%	1.5%
Cloud & Colocation		1.0%	0.9%	1.1%	1.0%	0.9%	1.3%	1.7%	1.1%
ARPU[4]									
Connectivity	$	1,025	1,028	1,041	1,033	1,019	1,014	1,023	1,033
Cloud & Colocation	$	3,582	3,468	3,255	3,240	3,393	3,248	3,185	3,221

Seasonality

The Company's net customer growth, with respect to its connectivity business, is typically impacted adversely by weather conditions as the majority of new customer locations require the installation of rooftop equipment. Typically, harsher weather in the first quarter of the year results in a reduction of productive installation days. In addition, certain customers using our cloud services may have higher usage during certain times of the year based on the seasonality of their respective businesses.

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.

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

(in thousands of dollars)	Three months ended December 31		Year ended December 31	
	2020	**2019**	**2020**	**2019**
Statement of Cash Flows Summary				
Cash inflows and (outflows) by activity:				
Operating activities	$ 2,275	4,015	$ 13,332	15,378
Investing activities	(1,680)	(1,350)	(7,584)	(6,356)
Financing activities	(2,351)	(3,077)	(8,576)	(4,254)
Net cash inflows (outflows)	(1,756)	(412)	(2,828)	4,768
Cash and cash equivalents, beginning of period	7,614	9,098	8,686	3,918
Cash and cash equivalents, end of period	**$ 5,858**	**8,686**	**$ 5,858**	**8,686**

Operating Activities
For the three months ended December 31, 2020, cash generated from operating activities was $2.3 million compared to cash from operations of $4.0 million for the same period in 2019. The decrease was primarily due to higher severance payments in the three months ended December 31, 2020. For the year ended December 31, 2020, cash generated from operating activities was $13.3 million compared to cash from operations of $15.4 million for the same period in 2019. The decrease was due to lower income from operations, higher severance payments and an unfavourable movement in working capital due to the timing of cash receipts and payments.

Investing Activities
For the three months ended December 31, 2020, cash used in investing activities was $1.7 million compared to cash used of $1.4 million for the same period in 2019. For the year ended December 31, 2020, cash used in investing activities was $7.6 million compared to cash used of $6.4 million for the same period in 2019. The increase was driven by increased capital expenditures due to higher customer provisioning.

Financing Activities
For the three months ended December 31, 2020 cash used in financing activities was $2.4 million compared to cash used from financing activities of $3.1 million for the same period in 2019. The decrease was due to lower principal payments on the Company's long-term debt, as well as government grants received in the three months ended December 31, 2020. For the year ended December 31, 2020, cash used in financing activities was $8.6 million compared to cash used of $4.3 million for the same period in 2019. The increase was due to the Company's equity offering in the prior year period, partially offset by proceeds from long-term debt and government grants received in the year ended December 31, 2020.

Capital Resources
As at December 31, 2020, the Company had cash and cash equivalents of $5.9 million and access to a revolving facility and acquisition funding capital 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, colocation and cloud assets and customer premise equipment as dictated by business needs.

Management believes the Company's current cash, anticipated cash from operations, access to the undrawn portion of debt facilities and its access to additional financing in the form of debt or equity will be sufficient to meet its working capital and capital expenditure requirements for at least the twelve-month period following December 31, 2020. In light of the current COVID-19 pandemic and the impacts it has had on businesses globally, including that of the Company (see "Risk Factors)", the Company continues to monitor its cash position closely and has taken certain mitigation efforts to conserve its cash, implement cost saving measures and avail itself of available Government support programs.

Term Debt Facility
In June 2020, the Company entered into an amended and restated credit agreement with a syndicate led by Royal Bank of Canada ("RBC") to replace the Company's existing credit facilities which reduced the credit facility to $35.0 million (from $75.0 million) and extended the term from June 14, 2021 to June 30, 2022. Effective June 30, 2020, National Bank of Canada ceased to be an administrative agent and a lender to the Company and assigned its right and obligations to RBC, in its capacity as administrative agent.

The total $35.0 million facility that matures June 30, 2022 is made up of the following:

- $5.0 million revolving facility which bears interest at prime plus a margin percent. As of December 31, 2020, $nil was drawn and outstanding on the revolving facility. Letters of credit issued under the facility totaled $0.6 million as of December 31, 2020 (December 31, 2019 - $0.7 million).

- $30.0 million term facility which bears interest at prime or Banker's Acceptance (at the Company's option) plus a margin percent and is repayable in quarterly principal installments of $0.75 million. This facility was fully drawn upon signing the amended and restated credit agreement.

At December 31, 2020, $28.4 million of the term facility principal balance outstanding was in a banker's acceptance bearing interest at prime plus a margin percent and the remaining $0.1 million was in a prime rate loan. The effective interest on the Company's long-term debt on December 31, 2020 was 4.21%.

During the year ended December 31, 2020, the Company incurred $0.3 million in finance costs to amend and extend the credit facility. Financing fees incurred as part of the Company's debt origination and modifications have been recorded as a reduction in the carrying amount of the debt and deferred and amortized using the effective interest method over the remaining term of the facility.

The amended and restated RBC facility is subject to certain financial and non-financial covenants which were substantially carried over from the previous credit agreement and the Company is in compliance with at December 31, 2020. Under this facility, the Company is subject to a cash flow sweep that could accelerate a certain amount of principal repayment based on a calculation outlined by the credit agreement not later than 120 days after the end of each fiscal year.

Equity Offering
On July 3, 2019, the Company completed an equity offering to issue and sell 805,000 common shares for gross proceeds of $8.9 million (the "Offering"). Proceeds net of actual commissions, legal, accounting, and listing fees was $8.1 million. The Offering was carried out pursuant to an underwriting agreement dated June 17, 2019, with a syndicate of underwriters led by TD Securities Inc., and included Canaccord Genuity Corp., Cormark Securities Inc., and Desjardins Securities Inc.

The net proceeds were used in full to fund technical and customer trials related to 5G technology and for general corporate purposes.

Intended Use of Net Proceeds	Use of Net Proceeds as at December 31, 2020
a) Fund technical and customer trials related to 5G technology	$1.0 million
b) General corporate purposes	$7.1 million

Contractual Obligations
The Company is committed to leases for premises, office equipment, network real estate access, automobiles, telecommunication facilities and radio spectrum licences. Annual minimum payments over the next five years and thereafter are as follows (in thousands):

		2021	2022	2023	2024	2025	Thereafter	Total
Network assets, property, and equipment	$	565	-	-	-	-	-	565
Other Purchase Obligations		4,224	2,815	2,011	1,086	461	-	10,597
Long-term debt		3,000	25,500	-	-	-	-	28,500
Lease liabilities		7,236	6,769	5,553	4,330	3,660	10,335	37,883
Total		15,025	35,084	7,564	5,416	4,121	10,335	77,545

Off-balance Sheet Arrangements
As of December 31, 2020, 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 2020 Annual Information Form, a copy of which can be found on SEDAR at www.sedar.com.

As of February 17, 2021, there were 16,762 thousand Common Shares issued and outstanding. In addition, as of February 17, 2021 there were 389 thousand Common Shares issuable upon exercise of TeraGo stock options, 110 thousand Common Shares issuable upon vesting of restricted share units, and 28 thousand Common Shares issuable upon vesting of performance share units.

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, 2020:

Financial Instrument	Classification and measurement method
Financial Assets	
Cash and cash equivalents	Amortized cost
Accounts Receivable	Amortized cost
Financial liabilities	
Accounts payable	Amortized cost
Accrued Liabilities	Amortized cost
Long-term debt	Amortized cost
Derivatives[1]	
Interest rate swap	FVTPL

[1]Derivatives can be in an asset or liability position at a point in time historically or in the future

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.

Derivative instruments
The Company is not engaged in any derivative contracts as at December 31, 2020.

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. The fair value of our interest rate swap contract is based on broker quotes and therefore, these contracts are measured using Level 2 inputs. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Credit risk
The Company's cash and cash equivalents and restricted cash subject the Company 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, 2020 and 2019, 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 operating line of credit and term loan since the interest rates applicable are variable and are, therefore, exposed to cash flow risks resulting from interest rate fluctuations. As at December 31, 2020, the revolving facility balance was $nil. The drawn term facility as at December 31, 2020 was $28.5 million, $28.4 million of which was held in a Bankers Acceptance. The interest rate on the Banker's Acceptance at December 31, 2020 was 4.21%. The remaining $0.1 million drawn under this facility bears interest at prime rate plus a margin. The Company assesses its interest rate risk as low, as a 1% change in interest rate would have increased (decreased) quarterly interest by $71 thousand.

Liquidity risk
Management believes the Company's current cash, anticipated cash from operations, access to the undrawn portion of debt facilities and its access to additional financing in the form of debt or equity will be sufficient to meet its working capital and capital expenditure requirements for at least the twelve-month period following December 31, 2020. 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 at December 31, 2020, the Company had cash and cash equivalents of $5.9 million. As described in "Liquidity and Capital Resources" above, the Company also has access to $4.4 million undrawn portion of its $35 million credit facilities after consideration of outstanding letters of credit and current drawings, subject to certain financial and non-financial covenants.

SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with 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.

(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 and terminal growth rate.

(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. The Company applies the IFRS 9 model to record valuation allowances on Trade Receivables. See Note 3(c) in the Financial Statements for more detail.

(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, 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, 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 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.

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, data centre, cloud 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 data centre or cloud services or other 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; and
- seasonal factors which may cause certain cloud service customers to increase or decrease their usage based services.

5G Fixed Wireless Business launch is unsuccessful

The Company's proposed 5G fixed wireless business (the "**5G Fixed Wireless 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 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 equipment 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 Fixed Wireless 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, or whether equipment suppliers like Nokia Inc. and its competitors could be relied on to supply such equipment in a manner that would support a 5G-related opportunity.

The Company has not historically serviced residential customers, having focused all of its services to business customers. As a result, should the Company launch the 5G Fixed Wireless Business to residential customers as well, it will need to adapt its sales and marketing strategy, systems, support and focus to also include this new segment of

customers. The lack of experience servicing this segment of the market may cause delays or significantly increase the cost to the Company of offering 5G services.

5G services are not widely available at the moment and 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 translate to the 5G fixed wireless services that the Company is planning to offer and whether the Company can capture certain market share in this new business. Assuming the technical and customer trials the Company plans on conducting are successful, the launch and growth of the 5G Fixed Wireless Business will necessitate additional skilled employees and human resources which the Company does not yet have. The recruitment and hiring of such people is expected to be competitive as a result of short supply, which will in turn affect the progress and success of the launch of the 5G Fixed Wireless Business.

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 licences, 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 licences. In addition, ISED also noted that when new flexible use licences are issued, existing licensees will be issued such licences under a new spectrum band plan which will necessitate the assignment to the Company of new frequency blocks. These new flexible licences are also expected to cover smaller licensing areas than the existing Tier 3 licence areas of current licences. As such, the full extent of the rules and terms and conditions surrounding the Company's 38 GHz spectrum licences when converted over to flexible use have not yet been established. The new rules, as well as terms and conditions of these licences 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 identified and designated the 38 GHz band as a Priority 1 band for future use to support the deployment of 5G. The 24 GHz band has not yet been subject to similar consultations like the 38 GHz band. ISED, through its release of the *Spectrum Outlook 2018 - 2022* decision document did confirm 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. 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.

If the 24 GHz licences that the Company holds are determined by ISED to not qualify for 5G use, or do qualify but with stringent conditions and terms of use, or a large percentage of the spectrum will be "clawed back", it will have a negative effect on the value of these licences, severely inhibit the Company's 5G Fixed Wireless Business plan, and therefore impact negatively on the value of the Common Shares.

COVID-19 Pandemic and Public Health Emergency

The global COVID-19 pandemic has evolved rapidly in the past year and may have a material adverse effect on the operations and financial results of the Company. The Company is currently operating under its Pandemic Response Plan which involves certain mitigation measures to reduce the spread of COVID-19, employees working from home where possible, alternative work arrangements, the elimination of in-person meetings, and mandating face coverings in certain of its facilities. As of the date of this MD&A, the initial impacts of COVID-19 on the Company include lower sales volume and therefore lower revenues than otherwise would be generated as businesses have generally reduced or suspended their IT and telecommunications spend. The Company has seen a limited number of requests by customers to defer monthly payments for services, or have services suspended during the COVID-19 pandemic. If sales volumes continue to materially decline due to COVID-19, or there is an increase in the number and/or dollar amounts of customers who have defaulted on their obligations to pay under their service contracts, the Company will experience a material adverse effect on its business, results of operations and financial condition.

In addition, economic conditions globally in light of COVID-19 are beyond our control. A sustained downturn in the economy 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. While a disruption in the Company's supply chain for radio equipment has not yet been experienced, a significant disruption in this supply chain due to COVID-19 will cause unintended backlog, provisioning delays and reduce the Company's ability to offer services and generate new revenue.

The full extent to which the COVID-19 pandemic may impact our business and our financial results will depend on future developments, which are highly uncertain and cannot be predicted at this time. Many factors that will determine the extent of COVID-19's impact include the duration of the outbreak in Canada and the U.S. (and to a lesser extent globally), its disruptions in supply chains and global trade, the effectiveness of vaccines and the speed at which they are distributed and administered to the broader population, the time to recovery in the global economy and consumer confidence. Management continues to monitor the developments of COVID-19 and has taken steps to mitigate initial impacts caused by it.

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 Credit Facilities and Restrictive Debt Covenants
The Company relies on its Credit Facilities to operate its business, including for the maintenance of a certain level of liquidity and to carry out its strategy. There can be no assurance that the Company will continue to have access to appropriate Credit Facilities on reasonable terms and conditions, if at all beyond the maturity date of June 30, 2022 for the existing Credit Facilities. An inability to draw down upon the Credit Facilities could have a material adverse effect on the Company's business, liquidity, financial condition and results of operations.

Covenants in our Credit Facilities with our lenders impose operating and financial restrictions on us. A breach of any of these covenants could result in a default under our Credit Facilities. These restrictions may limit our ability to obtain additional financing, withstand downturns in our business and take advantage of business opportunities. Moreover, we may be required to seek additional debt financing on terms that include more restrictive covenants, may require repayment on an accelerated schedule or may impose other obligations that limit our ability to grow our business, acquire needed assets, or take other actions we might otherwise consider appropriate or desirable.

Transition of the Company to a Multi-Product IT Services Company
In the past, the core business of the Company was to provide internet access services. The Company has in recent years transitioned to a multi-product IT services company focused on the management of its customer's data flow and has begun to invest in and conduct technical trials related to 5G technologies. If TeraGo is unable to execute on its business strategy and to grow the business, either as a result of the risks identified in this section or for any other reason, the business, prospects, financial condition and results of operations will be materially and adversely affected.

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 Fixed Wireless 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.

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.

While the 38 GHz spectrum band has been identified by ISED as one of the bands contemplated for future use to support the deployment of 5G through a Consultation, a similar Consultation has not been issued for the 24 GHz band. The Company's 24 GHz licences have a set expiry date in 2025. There are no guarantees that such licences will be renewed beyond 2025 or won't be subject to any potential claw back by ISED. If the 24 GHz licences that the Company holds are determined by ISED to not qualify for 5G use, or does qualify but with stringent conditions and terms of use, it may have a negative effect on the value of these licences and therefore impact negatively on the value of the Company and its common shares.

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.

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.

Integration and Anticipated Benefits Pursuant to Past Acquisitions
The overall success of acquisitions will depend, in part, on the Company's ability to realize the anticipated benefits and synergies from combining and integrating the acquired businesses into TeraGo's existing business. Integration of acquisitions require significant management attention and expansion of TeraGo's staff in operations, marketing, sales and general and administrative functions. The Company may have difficulties in the integration of the acquired company's departments, systems, including accounting, human resource and other administrative systems, technologies, books and records, and procedures, as well as in maintaining uniform standards, controls, including internal control over financial reporting required by Canadian securities laws and related procedures and policies. If we cannot integrate the acquisitions successfully, it could have a material adverse impact on our business, financial condition and results of operations.

As part of the Company's business strategy, TeraGo may also continue to acquire additional companies, assets or technologies principally related to, or complementary to, our current operations. Any such acquisitions will be accompanied by certain risks including but not limited to exposure to unknown liabilities of acquired companies, higher than anticipated acquisition costs and expenses, the difficulty and expense of integrating operations, systems, and personnel of acquired companies, disruption of the Company's ongoing business, inability to retain key customers, distributors, vendors and other business partners of the acquired company, diversion of management's time and attention; and possible dilution to shareholders.

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 data centres. 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 cloud and data centre 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, data centre 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 or data centre 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, data connectivity, cloud and data centre services is 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;
- Utelcos offering or planning to offer internet and data connectivity over fibre optic networks;
- Large cloud service providers and IT companies;
- Colocation and disaster recovery service providers;
- 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 of other 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 businesses and assets into our business 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 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, the acquisition 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 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 and datacentre 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 with variable interest rates, the Company is exposed to rising 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 cloud and data centre, 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 and data centres 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.

Leased Data Centre Facilities
The Company's data centres are located in leased premises and there can be no assurance that the Company will remain in compliance with the Company's leases, that the landlord will continue to support the operation of the Company's data centre and that the leases will not be terminated despite negotiation for long term lease periods and renewal provisions. Termination of a lease could have a material adverse effect on the Company's business, results of operations and financial condition.

Electrical Power and Outages
The Company's data centres are susceptible to regional variations in the cost of power, 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 the loss of customers' data and extended service interruptions. While the Company attempts to limit exposure to system downtime by using backup generators and power supplies, the Company cannot limit the Company's exposure entirely even with these protections in place. With respect to any increase in energy costs, the Company may not always be able to pass these increased costs on to the Company's customers which could have a material adverse effect on the Company's business, results of operations and financial condition.

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 and providing cloud and data centre services. 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

Our Interim-President and 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 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. 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 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 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 on August 4, 2020, Tony Ciciretto, President & CEO was no longer with the Company.
- Effective on August 4, 2020, David Charron was appointed as Interim-Chief Executive Officer in addition to his role as Chief Financial Officer.
- Effective on August 24, 2020, Geoff Kereluik, Vice President, Sales was no longer with the Company.
- Effective on September 25, 2020, Blake Wetzel was appointed as Chief Operating Officer in addition to his role as Chief Revenue Officer.
- Effective on October 1, 2020, Candice Levy was appointed as Vice President, People & Culture, having previously served as Director, Human Resources.

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

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.