

## Teranet Reports 2006 Second Quarter Results

### Strong increase in revenue, earnings driven by growth in core business

#### HIGHLIGHTS FOR THE QUARTER:

- Revenue up almost 10%
- EBITDA up 30.3% with 14.2% attributable to efficiency gains
- Strong Distributable Cash for the period as a public income fund
- Continued growth in automated parcel base, registration volumes and search volumes

**TORONTO, ON – August 4, 2006** – Teranet Income Fund (TSX: TF.UN) today announced its results for the second quarter of 2006, the period ended June 30, 2006. The Fund began operations on June 16, 2006. Therefore, the results for the 76 days from April 1 to June 15, 2006, are the operating results of Teranet Inc. and the 15 days from June 16 to June 30, 2006, are the operating results of the Fund. The operating results for the three-month period from April 1 to June 30, 2006, are combined pro forma results.

“Our continued progress automating land information across the province, complemented by organic growth in the parcel base, gives Teranet steadily growing revenue and cash flow,” said Aris Kaplanis, President and Chief Executive Officer of Teranet Inc. “At the same time, we are carefully managing our expenses and leveraging economies of scale in our core business.”

Revenue for the pro forma three months ended June 30, 2006 was \$63.8 million, an increase of 9.9% from \$58.1 million in the comparable period in the prior year. The higher revenue was a result of continued strong adoption of remote electronic registration on an increased number of land parcels in the Electronic Land Registry System (ELRS), favourable economic conditions in Ontario and growth in the value-added services business.

Operating expenses before amortization, interest, income taxes and non-controlling interest for the pro forma three-month period were in line with the prior year at \$17.3 million.

EBITDA\* for the pro forma three-month period in 2006 rose \$12.4 million to \$53.2 million, compared to \$40.8 million in the prior year. Of the total increase, \$5.8 million or 14.2% was due to improvements in economies of scale across all products. A further \$6.6 million increase is attributable to an unrealized mark-to-market gain on interest rate swaps. Margin percentages grew to 83.3% (72.9% after excluding the interest rate swap mark-to-market gain) for the pro forma three months ended June 30, 2006, from 70.2% for the pro forma three months ended June 30, 2005. The Fund’s interest rate swaps are designated as derivatives so do not qualify for hedge accounting treatment.

Distributable Cash\* for the 15 days as a public fund ended June 30, 2006, was \$17.3 million or \$0.1119 per unit, exceeding the committed cash distribution of \$4.5 million or \$0.0292 per unit. Included in Distributable Cash are proceeds from a one-time sale of investment of \$6.3 million or \$0.0406 per unit.

The automated parcel base grew by 7.6% to over 4.7 million properties, representing 89% of the estimated Provincial parcel base. This is up from 4.4 million properties automated at June 30, 2005, which represented 82% of the Provincial parcel base.

Registration volumes rose by 5.2% to approximately 500,000 transactions from approximately 475,000 in the comparable three-month period of the prior year. Search volumes grew by 4.9% to approximately 661,000 transactions from 631,000 in the prior year.

Teranet continues to make investments in its future with maintenance capital expenditures of \$261 thousand and deferred ELRS implementation costs of \$7.4 million, for total capital expenditures of \$7.7 million. Cash and cash equivalents at quarter-end June 30, 2006, were \$338.7 million.

### Outlook

Management's outlook is positive. The base on which the Fund earns a substantial portion of its revenue is expected to grow as the Fund continues to automate properties in Ontario, thereby increasing the automated parcel base. At the same time, the Fund expects to benefit from organic growth in the parcel base.

Management believes that the performance of the Fund is on track to meet ongoing requirements for working capital and capital expenditures, and to sustain distributions to unitholders.

(In thousands of Canadian dollars except volumes and parcel base amounts)

	Teranet Income Fund 15 days ended June 30, 2006	Teranet Inc. 76 days ended June 15, 2006	Combined Pro Forma Three months ended June 30, 2006	Teranet Inc. Pro Forma Three months ended June 30, 2005
Revenue	\$13,477	\$50,350	\$63,827	\$58,103
Operating Expenses <sup>1</sup>	1,484	15,812	17,296	17,299
EBITDA <sup>2</sup>	18,633	34,538	53,171	40,804
EBITDA Margin %	138.3%	68.6%	83.3%	70.2%
Volumes				
Registration Volumes	107,613	392,409	500,022	475,503
Search Volumes	113,556	547,934	661,490	630,769
Parcel Base				
Teranet (Automated)	4,709,774	4,686,732	4,709,774	4,376,357
% Province Automated	89%	88%	89%	82%

Net Earnings	\$ 11,127
Cash Available for Distribution	\$17,338
Distributable Cash per Unit	\$0.1119
Expected Cash Distribution per Unit <sup>3</sup>	\$0.0292

<sup>1</sup> Operating expenses are before amortization, interest, income and other

<sup>2</sup> See non-GAAP Measures below

<sup>3</sup> Based on an annual expected payout of \$0.75 per unit

Teranet's management's discussion and analysis and consolidated financial statements and accompanying notes are available on the company's web site at [www.teranet.ca](http://www.teranet.ca) or on [www.sedar.com](http://www.sedar.com).

### **Conference Call & Webcast**

Teranet will hold a conference call and live audio webcast on **Friday, August 4, 2006 at 10 a.m. (ET)** to discuss the Fund's financial results for the period ended June 30, 2006.

To participate in the teleconference, please dial **416-644-3419** or **1-866-250-4909**. To access the live audio webcast, please visit Teranet's web site at [www.teranet.ca](http://www.teranet.ca).

The call will be archived on the web site as a webcast and a podcast. A replay of the conference call will be available until end of day on Friday, August 11, 2006. To access the replay, please dial **416-640-1917** or **1-877-289-8525** and enter the passcode **21196175#**.

### **About Teranet Income Fund and Teranet**

Teranet Income Fund is an unincorporated, open-ended trust established under the laws of Ontario by way of a declaration of trust. The Fund was created to indirectly acquire all of the outstanding shares of Teranet Inc. The units of the Fund trade on the Toronto Stock Exchange under the symbol TF.UN.

Teranet is a leading provider of integrated land-based information products and services. Teranet operates in Ontario and provides access to the Ontario Electronic Land Registration System ("ELRS") through its proprietary software application, *Teraview*. This product enables customers to conduct electronic registrations as well as title and writ searches relating to real property. Teranet has the exclusive right to access the data in and operate the ELRS and the Writs of Execution database, and create and market value-added products and services in connection with the ELRS and writs until March 31, 2017. These licences extend on a non-exclusive basis in perpetuity for the ELRS and until 2047 for writs. Teranet has leveraged its core capabilities to create electronic service offerings in complementary information and e-commerce areas.

### **\* Non-GAAP Measures**

This discussion also makes reference to EBITDA and Distributable Cash to assist in assessing the Fund's financial performance. EBITDA and Distributable Cash, however, are not recognized earnings measures under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Distributable Cash may not be comparable to similar measures presented by other issuers. References to EBITDA are to earnings before interest, income taxes, depreciation, amortization and non-controlling interest. References to Distributable Cash are to EBITDA, as adjusted for maintenance capital expenditures and other adjustments listed in the reconciliation provided in the Management's Discussion and Analysis of Financial Condition and Results of Operations. Distributable Cash is not intended to be representative of cash flow or results of operations determined in accordance with GAAP. As the Fund intends to pay in equal monthly distribution amounts, on an ongoing basis, management believes that EBITDA and Distributable Cash are important measures in evaluating its performance.

**Forward-Looking Statements**

This news release contains statements that, other than statements of historical fact, may be forward-looking statements about the objectives, financial condition and results of operations of the Fund. These statements are forward-looking and reflect management's current views and are based on certain assumptions and expectations as of August 3, 2006. Actual results could be materially different from expectations if known or unknown risks affect the business, or if estimates or assumptions turn out to be inaccurate. No forward-looking statement is a guarantee of future results. Investors are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements do not take into account the effect that transactions or non-recurring items announced or occurring after the statements are made may have on the business. Teranet disclaims any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason. These statements are subject to a number of risks described in the Risks and Uncertainties section of the MD&A, which is available at [www.sedar.com](http://www.sedar.com). Risks and Uncertainties may cause actual results to differ materially from those contained in forward-looking statements.

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