

TERAGO INC.
Condensed Consolidated Financial Statements
Three months ended March 31, 2018 and 2017
(Unaudited)

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Condensed Consolidated Financial Statements

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TERAGO INC.
Condensed Consolidated Statements of Financial Position
(In thousands)
(unaudited)

	Note	March 31 2018	December 31 2017*
Assets			
Cash and cash equivalents	6(a)	\$ 3,641	\$ 6,986
Accounts receivable	6(b), 13	3,657	3,389
Prepaid expenses and other assets		1,965	2,516
Current portion of contract costs	3(a)(iii)	494	-
Current portion of other long-term assets	10(a)	-	27
Total current assets		9,757	12,918
Network assets, property and equipment	7	38,847	38,822
Intangible assets	8	16,002	16,699
Goodwill	8	19,419	19,419
Contract Costs	3(a)(iii)	497	-
Total non-current assets		74,765	74,940
Total Assets		\$ 84,522	\$ 87,858
Liabilities			
Accounts payable and accrued liabilities		\$ 6,342	\$ 8,519
Current portion of deferred revenue		-	282
Current portion of contract liabilities	3(a)(iv)	192	-
Current portion of long-term debt	9	4,000	4,000
Current portion of other long-term liabilities	10(b)	101	56
Total current liabilities		10,635	12,857
Decommissioning and restoration obligations		284	277
Deferred revenue		-	205
Contract liabilities	3(a)(iv)	150	-
Long-term debt	9	31,197	32,183
Other long-term liabilities	10(b)	569	419
Total non-current liabilities		32,200	33,084
Total Liabilities		42,835	45,941
Shareholders' Equity			
Share capital		86,843	86,653
Contributed surplus		25,631	25,701
Deficit		(70,787)	(70,437)
Total Shareholders' Equity		\$ 41,687	\$ 41,917
Total Liabilities and Shareholders' Equity		\$ 84,522	\$ 87,858

*The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

On behalf of the Board:

(signed) "Matthew Gerber"

Director

(signed) "Gary Sherlock"

Director

The accompanying notes are an integral part of these financial statements.

TERAGO INC.
Condensed Consolidated Statements of Comprehensive Loss
(In thousands, except per share amounts)
(unaudited)

	<i>Note</i>	Three months ended March 31 2018	Three months ended March 31 2017*
Revenue	5	\$ 13,740	14,277
Expenses			
Cost of services		3,555	3,483
Salaries and related costs		4,795	5,321
Other operating expenses		2,917	2,393
Depreciation of network assets, property and equipment	7	2,416	2,875
Amortization of intangible assets	8	737	786
		<u>14,420</u>	<u>14,858</u>
Loss from operations		(680)	(581)
Foreign exchange loss		(4)	(7)
Finance costs		(628)	(471)
Finance income		-	4
Loss before income taxes		<u>\$ (1,312)</u>	<u>(1,055)</u>
Income taxes			
Income tax expense		-	-
Net loss and comprehensive loss		<u>\$ (1,312)</u>	<u>(1,055)</u>
Deficit, beginning of period**		<u>\$ (69,475)</u>	<u>(63,143)</u>
Deficit, end of period		<u>\$ (70,787)</u>	<u>(64,198)</u>
Basic loss per share	12	\$ (0.09)	(0.07)
Diluted loss per share	12	\$ (0.09)	(0.07)
Basic weighted average number of shares outstanding		14,391	14,258
Diluted weighted average number of shares outstanding		14,391	14,258

*The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

**Adjusted for the adoption of IFRS 15 on January 1, 2018

The accompanying notes are an integral part of these financial statements.

TERAGO INC.
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	<i>Note</i>	Three months ended March 31 2018	Three months ended March 31 2017*
Operating Activities			
Net loss for the period		\$ (1,312)	\$ (1,055)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Severance, acquisition, and other costs		136	771
Depreciation of network assets, property and equipment	7	2,416	2,875
Amortization of intangible assets	8	737	786
Stock-based compensation expense (recovery)	11(d)	203	(147)
Finance costs		628	471
Finance income		-	(4)
Loss on adjustments and disposal of network assets	7	82	60
Impairment of assets and related charges	7	236	-
Severance, acquisition, and other costs paid		(303)	(847)
Stock-based compensation paid		-	(587)
Changes in non-cash working capital items:			
Accounts receivable		(268)	445
Prepaid expenses		551	453
Accounts payable and accrued liabilities		(1,362)	(4,713)
Deferred revenue		-	(73)
Contract liabilities		(82)	-
Contract costs		(92)	-
Cash from Operating Activities		1,570	(1,565)
Investing Activities			
Purchase of network assets, property and equipment	7	(2,759)	(1,685)
Purchase of intangible assets	8	(40)	-
Change in non-cash working capital related to network assets, property and equipment and intangible assets		(814)	1,109
Cash used in Investing Activities		(3,613)	(576)
Financing Activities			
Proceeds from exercise of stock options		98	31
Interest paid, net of received		(400)	(456)
Repayment of long-term debt		(1,000)	(1,297)
Cash used in Financing Activities		(1,302)	(1,722)
Net change in cash and cash equivalents, during the year		(3,345)	(3,863)
Cash and cash equivalents, beginning of year		6,986	13,034
Cash and cash equivalents, end of period		\$ 3,641	\$ 9,171

*The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

The accompanying notes are an integral part of these financial statements.

TERAGO INC.
Consolidated Statements of Changes in Equity
(In thousands)
(unaudited)

	Share Capital		Contributed		Total
	Number	Amount	Surplus	Deficit	
Balance, January 1, 2018	14,365	\$ 86,653	\$ 25,701	\$ (70,437)	\$ 41,917
Adjustments on initial application of IFRS 15*	-	-	-	962	962
Adjusted Balance at January 1, 2018	14,365	86,653	25,701	(69,475)	42,879
Issuance of shares upon exercise of options	34	98	(99)	-	(1)
Stock-based compensation	-	-	29	-	29
Issuance of shares for directors' fees	16	92	-	-	92
Net loss and comprehensive loss	-	-	-	(1,312)	(1,312)
Balance, March 31, 2018	14,415	\$ 86,843	\$ 25,631	\$ (70,787)	\$ 41,687

	Share Capital		Contributed		Total
	Number	Amount	Surplus	Deficit	
Balance, January 1, 2017**	14,250	\$ 86,171	\$ 25,620	\$ (63,143)	\$ 48,648
Issuance of shares upon exercise of options	8	31	-	-	31
Stock-based compensation	-	-	23	-	23
Issuance of shares for directors' fees	18	64	-	-	64
Net loss and comprehensive loss	-	-	-	(1,055)	(1,055)
Balance, March 31, 2017**	14,276	86,266	25,643	(64,198)	47,711

*See Note 3(a)(v).

**The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

The accompanying notes are an integral part of these financial statements.

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1. Reporting Entity

TeraGo Inc. (the "Company") provides businesses across Canada with connectivity services, colocation services and enterprise infrastructure cloud services. The Company's head office is located in Canada at Suite 800 – 55 Commerce Valley Drive West, Thornhill, Ontario. The Company was incorporated under the Canada Business Corporations Act on December 21, 2000 and owns and operates a carrier-grade, fixed wireless, fibre-based, IP communications network, as well as cloud and colocation facilities in Canada targeting enterprise customers that require cloud, colocation, and connectivity services. The Company's common shares are listed on the Toronto Stock Exchange (TSX) under the symbol TGO.

2. Basis of Preparation and Presentation

(a) Basis of preparation

These unaudited condensed interim consolidated financial statements ("interim financial statements") were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2017 (the "2017 Consolidated Financial Statements") except as described in Note 3. These interim financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Note 2 of the Company's 2017 Consolidated Financial Statements. These interim financial statements should be read in conjunction with the Company's 2017 Consolidated Financial Statements.

The Company's operating results are subject to seasonal fluctuations that may materially impact quarter-to-quarter operating results and, thus, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results.

The policies applied in these interim financial statements are based on IFRS issued and outstanding as at March 31, 2018. The Board of Directors authorized the interim financial statements for issue on May 9, 2017.

These interim financial statements include the accounts of TeraGo Inc. and its wholly owned subsidiary, TeraGo Networks Inc.

The notes presented in these interim financial statements include only significant changes and transactions that have occurred since the last fiscal year end.

(b) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

3. Accounting Pronouncements Adopted in 2018

a) IFRS 15 Revenue from Contracts with Customers

Effective January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers. IFRS 15 supersedes the existing standards and interpretations including IAS 18, Revenue and IFRIC 13, Customer Loyalty Programmes. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

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1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs.

The Company adopted IFRS 15 using the cumulative effect method, i.e. by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at January 1, 2018. Therefore, comparative information has not been restated and continues to be reported under IAS 18.

The Company has implemented several processes and policies to ensure the consistent, timely, and appropriate allocation of revenue between performance obligations in contracts with customers.

The adoption of IFRS 15 did not affect the Company's cash flows from operating, investing, or financing activities. Furthermore, the impact on timing of revenue recognition was not material as the treatment of revenue for services rendered over time, which is the method under which Company satisfies the majority of its performance obligations, is consistent under IFRS 15 and IAS 18. The details of the significant changes and quantitative impact of the changes are outlined below.

i) Sale of Bundled Services

The Company offers certain customers bundled connectivity, colocation, and cloud services. Revenue from these arrangements were previously classified on the nature of the contract. Under IFRS 15, total consideration in contracts with customers are allocated to distinct performance obligations based on their stand-alone selling prices. The Company determined the stand-alone selling price to be the list price at which the Company sells connectivity, and colocation & cloud services. As a result of the allocation of performance obligations under IFRS 15, certain amounts that would have been classified as cloud & colocation revenue are now presented as connectivity revenue.

ii) Service Credits

The Company has obligations for credits under its contracts with customers when certain criteria are met. Credits are recognized net of revenue recognized and presented in total revenue on the statement of comprehensive income.

iii) Contract Costs

IFRS 15 requires certain contract acquisition costs to be recognized as an asset on the statement of financial position and amortized into income over time. The Company typically incurs internal or external sales commissions fees to obtain contracts with customers. Prior to the adoption of IFRS 15, the Company had expensed all commission costs as incurred. The Company now capitalizes these commission fees as costs of obtaining a contract when they are incremental and expected to be recovered. These costs are amortized consistently with the pattern of revenue for the related contracts and are recorded in salaries and related costs on the statement of comprehensive loss.

Contract costs are presented separately as an asset on the consolidated statement of financial position. The Company has opted not to use practical expedients under the cumulative effect method and as a result, the current portion of contract costs are presented in current assets. The current portion represent amounts expected to be amortized in the next 12 months. The Company had to make significant judgments and estimates when estimating certain contract costs incurred in prior years that continue to be incremental and recoverable in the current period.

The following table summarizes the key movement in contract costs during the three months ended March 31, 2018:

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	March 31
	2018
Opening Balance, January 1, 2018	\$ 899
Incremental commissions capitalized	241
Amortization	(149)
	991
Less: current	(494)
	\$ 497

iv) Contract Liabilities

Contract liabilities arise primarily as a result of payment made in advance of providing services to a customer. The Company had previously presented these arrangements as deferred revenue. These payments are now presented as contract liabilities with current and long-term amounts presented separately on the statement of financial position. The current portion represents the performance obligation to be satisfied and recognized in revenue in the next 12 months.

v) Impacts on Consolidated Financial Statements

Impact on Consolidated Statement of Financial Position

	As at March 31			As at January 1		
	2018			2018		
	As		Balances	Balance		Balances
	Reported	Adj.	without	after	Adj.	without
			adoption	adoption		adoption
			of IFRS 15	of IFRS 15		of IFRS 15
Assets						
Cash and cash equivalents	3,641	-	3,641	6,986	-	6,986
Accounts receivable	3,657	-	3,657	3,389	-	3,389
Prepaid expenses and other assets	1,965	-	1,965	2,516	-	2,516
Other long-term assets	-	-	-	27	-	27
Network assets, property and equipment	38,847	-	38,847	38,822	-	38,822
Intangible assets	16,002	-	16,002	16,699	-	16,699
Goodwill	19,419	-	19,419	19,419	-	19,419
Contract costs	991	(991)	-	899	(899)	-
Total Assets	84,522	(991)	83,531	88,757	(899)	87,858
Liabilities						
Accounts payable and accrued liabilities	6,342	-	6,342	8,519	-	8,519
Deferred revenue	-	401	401	-	487	487
Contract liabilities	342	(342)	-	424	(424)	-
Long-term debt	35,197	-	35,197	36,183	-	36,183
Other long-term liabilities	670	-	670	475	-	475
Decommissioning and restoration obligations	284	-	284	277	-	277
Total Liabilities	42,835	59	42,894	45,878	63	45,941
Shareholders' Equity						
Share capital	86,843	-	86,843	86,653	-	86,653
Contributed surplus	25,631	-	25,631	25,701	-	25,701
Deficit	(70,787)	(1,050)	(71,837)	(69,475)	(962)	(70,437)
Total Shareholders' Equity	84,522	(991)	83,531	88,757	(899)	87,858

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Impact on Consolidated Statement of Comprehensive Income

	Three months ended March 31 2018		
	As Reported	Adj.	Balances without adoption of IFRS 15
Revenue	13,740	4	13,744
Cost of services	(3,555)	-	(3,555)
Salaries and related costs	(4,795)	(92)	(4,887)
Other operating expenses	(2,917)	-	(2,917)
Depreciation of network assets, property and equipment	(2,416)	-	(2,416)
Amortization of intangible assets	(737)	-	(737)
Foreign exchange gain	(4)	-	(4)
Finance costs	(628)	-	(628)
Finance income	-	-	-
Income tax expense	-	-	-
Net loss and comprehensive loss	(1,312)	(88)	(1,400)

Impact on Consolidated Statement of Cash Flows

	Three months ended March 31 2018		
	As Reported	Adj.	Balances without adoption of IFRS 15
Operating Activities			
Net loss for the year	(1,312)	(88)	(1,400)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities	4,135	-	4,135
Changes in non-cash working capital items:			
Accounts receivable	(268)	-	(268)
Prepaid expenses	551	-	551
Accounts payable and accrued liabilities	(1,362)	-	(1,362)
Deferred revenue	-	(86)	(86)
Contract liabilities	(82)	82	-
Contract costs	(92)	92	-
Cash from Operating Activities	1,570	-	1,570
Cash used in Investing Activities	(3,613)	-	(3,613)
Cash used in Financing Activities	(1,302)	-	(1,302)
Net change in cash and cash equivalents, during the year	(3,345)	-	(3,345)
Cash and cash equivalents, beginning of year	6,986	-	6,986
Cash and cash equivalents, end of year	3,641	-	3,641

vi) Use of estimates

The Company used estimates in the following areas:

- Determining the enforceable term of contracts required estimating average contract terms based on available

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historical data

- Significant judgments in determining whether the promises to deliver certain services are considered distinct and represent separate performance obligations
- Evaluating whether costs incurred to obtain a contract were incremental and expected to be recoverable

b) IFRS 9 Financial Instruments

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments. IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The adoption of this standard did not have a material effect on our consolidated financial statements.

i) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company's financial assets measured at amortized cost consist of assets discussed in Note 13.

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

- *12-month ECLs*: these are 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.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired.

ii) Measurement of loss allowances

For trade receivables, the Company uses historic actual credit losses as the basis for estimating ECLs and uniformly applies this estimate to its gross balance net of balances already fully impaired at each reporting date. The Company believes this amount to best estimate the expected credit losses.

iii) Presentation of loss allowances

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 income.

4. Upcoming accounting pronouncements not yet adopted

The IASB has issued new standards and amendments to existing standards. These changes are not yet adopted as at March 31, 2018 and could have an impact on future periods.

IFRS 16 Leases

On January 13, 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting

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model for lessees and all leases will require an asset and liability to be recognized on the statement of financial position at inception.

The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The extent of the impact of the adoption of this standard has not yet been determined.

5. Revenue

The Company's operations and main sources of revenue are those described in the 2017 Consolidated Financial Statements. The Company's revenue is primarily derived from contracts with customers.

The effect of initially applying IFRS 15 on the Company's interim financial statements is disclosed in Note 3(a).

Satisfaction of performance obligations

The Company measures the timing of satisfaction of its performance obligations from contracts with customers consistently across all the Company's performance obligations: as services are provided (typically on a monthly basis).

Disaggregation of revenue

In the following table and in accordance with IFRS 15, the Company's disaggregates revenue into two primary categories that depict the nature of its revenue streams.

	Three months ended March 31 2018	Three months ended March 31 2017*
Cloud and Colocation Revenue	\$ 4,731	\$ 4,812
Connectivity Revenue	9,009	9,465
	<u>\$ 13,740</u>	<u>\$ 14,277</u>

*The Company has initially applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated.

6. Current Assets

Details of selected current asset balances are as follows:

(a) Cash and cash equivalents

The Company's cash and cash equivalents are comprised of bank balances at major Canadian financial institutions.

(b) Accounts receivable

The Company's accounts receivable is comprised of the following:

	March 31 2018	December 31 2017
Trade receivables	\$ 3,428	\$ 3,137
Loss allowances (Note 13(b))	(33)	(21)
Other	262	273
	<u>\$ 3,657</u>	<u>\$ 3,389</u>

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7. Network Assets, Property and Equipment

Cost	Network Assets	Cloud & Datacentre Infrastructure	Computer Equipment	Office Furniture and Equipment	Leasehold Improvements	Vehicles	Total
Balance, January 1, 2018	\$ 117,170	\$ 14,578	\$ 2,770	\$ 2,357	\$ 2,330	\$ 49	\$ 139,254
Additions / reclassifications	2,119	180	3	-	457	-	2,759
Disposals / Adjustments	(545)	(12)	(4)	-	-	-	(561)
Impairment	(537)	-	-	-	-	-	(537)
Balance, March 31, 2018	\$ 118,207	\$ 14,746	\$ 2,769	\$ 2,357	\$ 2,787	\$ 49	\$ 140,915
Accumulated Depreciation							
Balance, January 1, 2018	\$ 90,454	\$ 3,902	\$ 2,542	\$ 2,222	\$ 1,263	\$ 49	\$ 100,432
Depreciation for the period	1,856	384	80	13	83	-	2,416
Disposals / Adjustments	(473)	(2)	(4)	-	-	-	(479)
Impairment	(301)	-	-	-	-	-	(301)
Balance, March 31, 2018	\$ 91,536	\$ 4,284	\$ 2,618	\$ 2,235	\$ 1,346	\$ 49	\$ 102,068
Net Book Value, March 31, 2018	\$ 26,671	\$ 10,462	\$ 151	\$ 122	\$ 1,441	\$ -	\$ 38,847

During the three months ended March 31, 2018 the Company wrote off assets with net book value \$82 (Cost of \$561 less accumulated depreciation of \$479) to reflect inventory adjustments and disposals. The corresponding loss on disposal was included in other operating expenses.

Impairment

As result of the loss of certain customers and customer locations in primarily connectivity offerings during the three months ended March 31, 2018, the Company determined that certain network assets were not recoverable. The assets were subsequently written down to their recoverable amount and an impairment charge of \$236 (Cost of \$537 less accumulated depreciation of \$301) was recorded in other operating expenses on the statement of comprehensive loss (2017 - \$nil).

8. Intangible Assets and Goodwill

Cost	Radio spectrum licenses	Computer Software	Customer relationships	Other	Total Intangibles	Goodwill	Total Intangibles and Goodwill
Balance, January 1, 2018	\$ 7,041	\$ 9,803	\$ 17,690	\$ 4,831	\$ 39,365	\$ 19,419	\$ 58,784
Additions	-	40	-	-	40	-	40
Balance, March 31, 2018	\$ 7,041	\$ 9,843	\$ 17,690	\$ 4,831	\$ 39,405	\$ 19,419	\$ 58,824
Accumulated Depreciation							
Balance, January 1, 2018	\$ 2,371	\$ 8,584	\$ 9,177	\$ 2,534	\$ 22,666	\$ -	\$ 22,666
Amortization for the period	-	155	438	144	737	-	737
Balance March 31, 2018	\$ 2,371	\$ 8,739	\$ 9,615	\$ 2,678	\$ 23,403	\$ -	\$ 23,403
Net Book Value, March 31, 2018	\$ 4,670	\$ 1,104	\$ 8,075	\$ 2,153	\$ 16,002	\$ 19,419	\$ 35,421

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9. Long-term Debt

	March 31	December 31
	2018	2017
Term debt facility	\$ 35,595	\$ 36,611
less: financing fees	(398)	(428)
	<u>35,197</u>	<u>36,183</u>
less: current portion	(4,000)	(4,000)
	<u>\$ 31,197</u>	<u>\$ 32,183</u>

Term Debt Facility

In June 2014, the Company entered into an agreement with a syndicate led by the National Bank of Canada (“NBC”) to provide a \$50,000 credit facility that is principally secured by a general security agreement over the Company’s assets.

In March 2015, the Company entered into an amended agreement with the syndicate led by NBC that increased the credit facility by \$35,000 (\$30,000 increase to the term debt facility and \$5,000 increase to the revolving facility) and extended the term from June 6, 2017 to June 30, 2018. Other terms were substantially consistent with the existing credit facilities.

In June 2017, the Company entered into a second amended agreement with the syndicate led by NBC that reduced the term debt facility from \$50,000 to \$40,000 (as a result of principal previously repaid), reduced the quarterly principal installment from \$1,250 to \$1,000 and extended the term from June 30, 2018 to June 14, 2021. Other terms were substantially consistent with the existing credit facilities.

The total \$75,000 facility that matures June 14, 2021 is made up of the following:

- \$10,000 revolving facility which bears interest at prime plus a margin percent. As of March 31, 2018, \$nil amount is outstanding (2017 - \$nil). Letters of credit issued under the facility totaled \$650 as of March 31, 2018 (2017 - \$655).
- \$40,000 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 \$1,000. This facility was fully drawn upon signing the second amended agreement.

On March 31, 2018, \$35,900 of the term facility principal balance outstanding was in a Banker’s Acceptance and the remaining \$100 was at a floating rate. In 2015, the Company entered into amended interest rate swap contract that matures June 29, 2018. During the three months ended March 31, 2018 the Company entered into an additional swap agreement that is effective on June 29, 2018 and matures June 29, 2021. The interest rate swap contracts have not been designated as a hedge and will be marked-to-market each quarter. The fair value of the interest rate swap contracts at March 31, 2018 was a liability of \$127 (December 31, 2017 – asset of \$27) and is recorded in other long-term assets/liabilities (Note 10(a)), with a corresponding charge (recovery) for the change in fair value recorded in finance costs. The effective interest rate on the Company’s long-term debt at March 31, 2018 was 4.24% which represents the Company’s interest on its Banker’s Acceptance net of its interest swap contracts.

As at March 31, 2018, the Company prepaid interest in the amount of \$405 which represents the net settlement of the Banker’s Acceptance and is recorded as a reduction in the carrying value of the debt.

- \$25,000 available for funding acquisitions and will bear interest at prime plus a margin percent and is repayable in quarterly principal installments of 2.5% of the aggregate amount outstanding. As of March 31, 2018, this facility remains undrawn.

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 NBC facility is subject to certain financial and non-financial covenants which the Company is in compliance with at March 31, 2018. 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.

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10. Other Long-Term Assets/Liabilities

(a) Other long-term assets

	March 31	December 31
	2018	2017
Interest rate swap contract (Note 9, 13)	\$ -	\$ 27
	-	27
less: current portion	-	(27)
	\$ -	\$ -

(b) Other long-term liabilities

	March 31	December 31
	2018	2017
Performance based share units (Note 11(c))	\$ 50	\$ 43
Restricted share units (Note 11(b))	247	171
Interest rate swap contract (Note 9, 13)	127	-
Lease inducement liability	246	261
	670	475
less: current portion	(101)	(56)
	\$ 569	\$ 419

11. Stock-Based Compensation

(a) Stock Options

For the three months ended March 31, 2018 and 2017, the Company recorded stock-based compensation related to stock options of \$29 and \$23, respectively.

A summary of the status of the Company's stock option plan as at March 31, 2018 is presented below.

	2018	
	Number of	Weighted
	Options	Average
	Exercise Price	Exercise Price
Outstanding - January 1, 2018	588	\$5.58
Exercised	(491)	\$5.77
Outstanding - March 31, 2018	97	\$4.63
Exercisable	11	\$6.25

(b) Restricted Share Units (RSUs)

For the three months ended March 31, 2018 and March 31, 2017, the Company granted 151 and 130 RSUs, respectively, to certain key executives.

For the three months ended March 31, 2018 and March 31, 2017, the Company recorded compensation expense (recovery) of \$75 and (\$82), respectively, related to the RSUs granted and paid \$nil and \$587, respectively, to the holders of RSUs that vested in the period. As of March 31, 2018, a liability of \$247 (December 31, 2017 - \$171) related to the RSUs outstanding is included in other long-term liabilities (Note 10(b)).

The following table is a summary of the number of outstanding RSU as at:

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	March 31
	2018
Opening Balance, January 1, 2018	149
Granted	151
Forfeited	-
Vested and paid	-
Ending Balance, March 31, 2018	300

(c) Performance Based Share Units (PSUs)

For the three months ended March 31, 2018 and March 31, 2017, the Company recorded stock-based compensation expense (recovery) of \$7 and (\$152), respectively, related to the PSUs outstanding. As at March 31, 2018, a liability of \$50 (December 31, 2017 - \$43) related to the PSUs granted is included in the other long-term liabilities (Note 10(b)).

The following table is a summary of the number of outstanding PSUs as at:

	March 31
	2018
Opening Balance, January 1, 2018	19
Granted	-
Vested and paid	-
Forfeited / Expired	-
Ending Balance, March 31, 2018	19

(d) Stock-Based Compensation Summary

The following table is a summary of the stock-based compensation expense (recovery):

	Three months	Three months
	ended	ended
	March 31	March 31
	2018	2017
Restricted share units	\$ 75	\$ (82)
Performance-based share units	7	(152)
Stock options	29	23
Directors' fees paid in shares	92	64
	\$ 203	\$ (147)

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12. Loss Per Share

The following table sets forth the calculation of basic and diluted loss per share.

	Three months ended March 31 2018	Three months ended March 31 2017
Numerator for basic and diluted loss per share:		
Net loss for the period	\$ (1,312)	\$ (1,055)
Denominator for basic and diluted loss per share:		
Basic weighted average number of shares outstanding	14,391	14,258
Effect of stock options, RSUs and PSUs	-	-
Diluted weighted average number of shares outstanding	14,391	14,258
Loss per share:		
Basic	\$ (0.09)	\$ (0.07)
Diluted	\$ (0.09)	\$ (0.07)

Due to the loss for the three months ended March 31, 2018, the impact of all the options, RSUs, and PSUs totaling 456 (2017 – 658), were excluded in the calculation of diluted loss per share because they were antidilutive.

13. Fair value of financial instruments

The following table outlines the carrying amounts and fair value of its financial assets and financial liabilities including their level in the fair value hierarchy. Cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are not shown below as the carrying value of these financial instruments approximates their fair value due to their short-term maturities.

a) Classification and fair values

	Carrying Amount		Fair Value (Level 2)	
	March 31 2018	December 31 2017	March 31 2018	December 31 2017
Financial Assets				
Interest rate swap contract	\$ -	\$ 27	\$ -	\$ 27
Financial Liabilities				
Interest rate swap contract	\$ 127	\$ -	\$ 127	\$ -
Long-term debt	35,197	36,183	35,197	36,183

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b) Credit risk

During the three months ended March 31, 2018, the movement in the credit loss allowance in respect of trade receivables was as follows:

	March 31
	2018
Opening Balance, January 1, 2018	21
Amounts written off	(21)
Remeasurement of loss allowance	33
Ending Balance, March 31, 2018	33