TERAGO INC.
Consolidated Financial Statements
Years ended December 31, 2020 and 2019

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of TeraGo Inc. and its subsidiaries and all the information in Management's Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards. The consolidated financial statements include certain amounts that are based on the best estimates and judgments of management and in their opinion present fairly, in all material respects, TeraGo Inc.'s financial position, results of operations and cash flows. Management has prepared the financial information presented elsewhere in the Management's Discussion and Analysis and has ensured that it is consistent with the consolidated financial statements, or has provided reconciliations where inconsistencies exist.

Management of TeraGo Inc., in furtherance of the integrity of the consolidated financial statements, has developed and maintains a system of internal controls. Management believes the internal controls provide reasonable assurance that transactions are properly authorized and recorded, financial records are reliable and form a proper basis for the preparation of consolidated financial statements and that TeraGo Inc.'s material assets are properly accounted for and safeguarded. The internal control processes include management's communication to employees of policies that govern ethical business conduct.

The Board of Directors is responsible for overseeing management's responsibility for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee.

The Audit Committee meets periodically with management and the Company's independent auditors to review the Company's reported financial performance and to discuss audit, internal controls, accounting policies, and financial reporting matters; and to review Management's Discussion and Analysis, the consolidated financial statements and the external auditors' report. The Audit Committee reports its findings to the Board of Directors for consideration when approving the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditors.

The consolidated financial statements have been audited by KPMG LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the shareholders. KPMG LLP has full and free access to the Audit Committee.

February 17, 2021

"David Charron"

Interim Chief Executive Officer &
Chief Financial Officer

KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada

INDEPENDENT AUDITORS' REPORT

To the Shareholders of TeraGo Inc.

Opinion

We have audited the consolidated financial statements of TeraGo Inc. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of comprehensive loss for the years then ended
- the consolidated statements of shareholders' equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of the impairment assessment of long-lived assets

Description of the matter

We draw attention to Notes 2(d), 3(f), and 7 to the financial statements. The Entity performs impairment testing of its non-financial long-lived assets annually, or more frequently if events or circumstances indicate the carrying value of the Entity's single cash generating unit might exceed its recoverable amount. The Entity has goodwill and indefinite-life intangibles of $19,419 thousand and $10,278 thousand, respectively. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of (i) the net present value of the expected future cash flows (value-in-use) and (ii) the fair value less costs to sell. The Entity's determination of the value-in-use uses significant assumptions including expected future revenue, operating margins, capital investment, discount rate and terminal growth rate.

Why the matter is a key audit matter

We identified the evaluation of the impairment assessment of long-lived assets as a key audit matter. This matter represents a significant risk of material misstatement given the magnitude of the asset values and the high degree of estimation uncertainty in assessing the Entity's significant assumptions. As a result, significant auditor judgment and the involvement of professionals with specialized skill and knowledge was required to evaluate the Entity's use of estimates and assumptions in assessing the recoverable amount of the cash generating unit.

How the matter was addressed in our audit

The primary procedures we performed to address this key audit matter included the following:

- For the Entity's single cash generating unit, we:
    - Evaluated the expected future revenue, operating margins, and capital investment in comparison to the actual historical sales and operating margins generated by, and capital investment used by, the cash generating unit to assess the Entity's ability to accurately predict cash flows.
    - Considered changes in conditions and events to assess the assumptions made in arriving at the expected future revenue and operating margins estimates.
    - Evaluated the terminal growth rate by comparing to published reports of industry analysts.

- We involved valuation professionals with specialized skills and knowledge who assisted in performing the following procedures:
  - Assessing the discounted cash flow methodology adopted by the Entity to determine the value-in-use amount used in the determination of the recoverable amount.
  - Evaluating the appropriateness of the discount rate assumption by comparing it to a discount rate range that was independently developed using publicly available market data including available data for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Kevin James Fisher.

Vaughan, Canada

February 17, 2021

TERAGO INC.
Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

	Note		December 31 2020		December 31 2019
Assets					
Cash and cash equivalents	5	$	5,858	$	8,686
Accounts receivable	5		2,500		2,889
Prepaid expenses and other assets			804		727
Current portion of contract costs	4		324		394
Current portion of other long-term assets	11		79		17
Total current assets			9,565		12,713
Network assets, property and equipment	6		56,649		59,562
Intangible assets	7		17,097		18,605
Goodwill	7		19,419		19,419
Contract costs	4		397		362
Other long-term assets	11		41		16
Total non-current assets			93,603		97,964
Total Assets		$	103,168	$	110,677
Liabilities					
Accounts payable and accrued liabilities		$	5,403	$	4,599
Current portion of contract liabilities	4		193		155
Current portion of long-term debt	9		3,000		4,000
Current portion of lease liabilities	10		7,236		7,014
Total current liabilities			15,832		15,768
Decommissioning and restoration obligations	8		360		276
Contract liabilities	4		187		79
Long-term debt	9		25,144		24,470
Lease liabilities	10		20,779		21,744
Other long-term liabilities	11		-		235
Total non-current liabilities			46,470		46,804
Total Liabilities			62,302		62,572
Shareholders' Equity					
Share capital			103,223		101,846
Contributed surplus			27,191		27,548
Deficit			(89,548)		(81,289)
Total Shareholders' Equity		$	40,866	$	48,105
Total Liabilities and Shareholders' Equity		$	103,168	$	110,677

Commitments and Contingencies – Note 12.

On behalf of the Board:

(signed) “Matthew Gerber”
Director

(signed) “Gary Sherlock”
Director

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

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

	Note		Year ended December 31 2020	Year ended December 31 2019
Revenue	4	$	45,448	48,437
Expenses				
Cost of services			9,816	9,647
Salaries and related costs, net	20		16,254	17,511
Other operating expenses			7,940	8,314
Depreciation of network assets, property and equipment	6		13,301	13,488
Amortization of intangible assets	7		1,508	1,799
			48,819	50,759
Income (Loss) from operations			(3,371)	(2,322)
Foreign exchange (loss)			(210)	(69)
Finance costs			(4,777)	(4,769)
Finance income			99	166
Loss before income taxes		$	(8,259)	(6,994)
Income taxes				
Income tax expense			-	-
Net loss and comprehensive loss		$	(8,259)	(6,994)
Deficit, beginning of year		$	(81,289)	(74,295)
Deficit, end of year		$	(89,548)	(81,289)
Basic & Diluted loss per share	16	$	(0.49)	(0.43)
Basic & Diluted weighted average number of shares outstanding			16,693	16,195

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

TERAGO INC.
Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

	Note	Year ended December 31 2020	Year ended December 31 2019
Operating Activities			
Net loss for the year		(8,259)	(6,994)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Severance, acquisition, and other costs		1,630	1,424
Depreciation of network assets, property and equipment	6	13,301	13,488
Amortization of intangible assets	7	1,508	1,799
Stock-based compensation expense	15	1,515	1,984
Finance costs		4,777	4,769
Finance income		(99)	(166)
Loss on adjustments and disposal of network assets and intangible assets	6, 10	198	296
Impairment of assets and related charges	4, 6, 7	1,139	808
Severance, acquisition, and other costs paid		(1,777)	(1,328)
Stock-based compensation paid		-	(353)
Changes in non-cash working capital items:			
Accounts receivable		401	792
Prepaid expenses		(98)	(122)
Accounts payable and accrued liabilities		(1,039)	(1,140)
Contract liabilities		146	(16)
Contract costs		(11)	137
Cash from Operating Activities		13,332	15,378
Investing Activities			
Purchase of network assets, property and equipment	6	(7,616)	(6,696)
Purchase of intangible assets	7	-	(35)
Change in non-cash working capital related to network assets, property and equipment and intangible assets		32	375
Cash used in Investing Activities		(7,584)	(6,356)
Financing Activities			
Proceeds from exercise of stock options		-	79
Proceeds from equity offering	14	-	8,855
Equity offering costs incurred	14	-	(753)
Proceeds from debt borrowings		3,100	-
Interest swap settlement	9	(629)	-
Interest paid, net of received		(1,011)	(1,453)
Repayment of long-term debt	9	(3,600)	(4,000)
Financing costs incurred	9	(267)	-
Payments of lease liabilities	10	(7,434)	(6,982)
Government grants	20	1,265	-
Cash from (used in) Financing Activities		(8,576)	(4,254)
Net change in cash and cash equivalents, during the year		(2,828)	4,768
Cash and cash equivalents, beginning of year		8,686	3,918
Cash and cash equivalents, end of year		5,858	8,686

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

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

	Share Capital Number (in 000's)	Share Capital Amount	Contributed Surplus	Deficit	Total
Balance, January 1, 2020	16,628	$ 101,846	$ 27,548	$ (81,289)	$ 48,105
Issuance of shares upon exercise of options	2	4	(4)	-	-
Stock-based compensation	-	-	1,226	-	1,226
Issuance of common shares from vesting of RSUs/PSUs	159	1,084	(1,084)	-	-
Shares deducted for payment of withholding tax	(73)	-	(495)	-	(495)
Issuance of shares for directors' fees	46	289	-	-	289
Net loss and comprehensive loss	-	-	-	(8,259)	(8,259)
Balance, December 31, 2020	16,762	$ 103,223	$ 27,191	$ (89,548)	$ 40,866

	Share Capital Number (in 000's)	Share Capital Amount	Contributed Surplus	Deficit	Total
Balance, January 1, 2019	15,768	$ 93,262	$ 25,676	$ (74,295)	$ 44,643
Issuance of shares upon exercise of options	21	125	(46)	-	79
Stock-based compensation	-	-	585	-	585
Issuance of shares for directors' fees	34	357	-	-	357
Modifications of share-based awards from cash-settled to equity-settled	-	-	1,333	-	1,333
Issuance of shares for equity offering (net of issuance costs)	805	8,102	-	-	8,102
Net loss and comprehensive loss	-	-	-	(6,994)	(6,994)
Balance, December 31, 2019	16,628	$ 101,846	$ 27,548	$ (81,289)	$ 48,105

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

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards(“IFRS”) as issued by the International Accounting Standards Board ("IASB").

The Board of Directors authorized the consolidated financial statements for issue on February 17, 2021.

(b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following material items in the statement of financial position:

- financial instruments at fair value through profit (loss) (“FVTPL”) are measured at fair value through net income or loss

(c) Functional and Presentation Currency

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

(d) Use of Estimates and Judgments

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. Changes in the carrying amount due to changes in economic and market conditions could significantly affect the loss for the period. The Company applies the IFRS 9 model to record valuation allowances on Trade Receivables.

(vi) *Stock-based compensation:*
Estimating fair value for stock-based payments requires determining the most appropriate valuation model for a grant, which is dependent on the terms and conditions of the grant. In valuing stock options, 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.

3. Significant Accounting Policies

(a) Revenue Recognition

The Company earns revenue by providing cloud, colocation, and connectivity services. Revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. Revenue is recognized as the related services are provided to customers. The Company applies the five step *IFRS 15 Revenue from Contracts with Customers* model in determining the appropriate treatment of its various sources of revenue. The principal sources of revenue to the Company and recognition of these revenues are as follows:

- Monthly recurring revenue (MRR) from cloud, colocation, and connectivity are recognized as service revenue ratably over the enforceable term of individual contracts which is typically the stated term. The Company satisfies its performance obligation as these services are made available over time. The Company believes this method to be the best representation of transfer of services as it is consistent with industry practice to measure satisfaction through passage of time. In addition, many of the Company's contractual terms are consistent with a monthly passage of time model as services are provided.

- Transaction price is determined as the list price of services (net of discounts) that the Company promises to deliver to its customers, taking into account the term of each individual contract, and the ability to enforce and collect the consideration.
- Revenue from installation services, which are not treated as distinct performance obligations, are recognized over the enforceable term of individual contracts consistent with the schedule of MRR discussed above.
- Usage revenue (overage and consumption-based services) is recorded as service revenue in the month the usage is incurred/service is consumed by the customer, based on a fixed agreed upon amount per unit consumed.
- Payment is typically due at the beginning of each month for MRR services and at the end of each month for usage revenue.

(i) ***Sale of Bundled Services***

The Company offers certain customers bundled connectivity, colocation, and cloud services. 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 and cloud services.

(ii) ***Service Credits***

The Company has obligations for credits under its contracts with customers when certain criteria are met. Credits are measured at agreed upon contractual rates and are recognized net of revenue and presented in total revenue on the statement of comprehensive loss.

(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 to obtain contracts with customers. The Company 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 IFRS 15 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 uses significant judgments and estimates when estimating certain contract costs incurred in prior years that continue to be incremental and recoverable in the current period.

(iv) ***Contract Assets***

Contract assets arise primarily as a result of services offered and provided in advance of payments received from a customer. From time to time, the Company will offer promotions which will give rise to contract assets. These arrangements are recorded in other long-term assets on the balance sheet 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 as revenue in the next twelve months.

(v) ***Contract Liabilities***

Contract liabilities arise primarily as a result of payment received in advance of providing services to a customer; for example, when a customer pays for a service up-front on a multi-year contract. 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 as revenue in the next twelve months.

(b) Basis of Consolidation

The consolidated financial statements include the accounts of TeraGo Inc. and its wholly owned subsidiaries TeraGo Networks Inc. and TeraGo Networks (U.S.) Inc. (collectively, the Company). A subsidiary is an entity that is controlled by another entity, known as the parent. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All intercompany transactions between subsidiaries are eliminated on consolidation.

(c) 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 or 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.

The classification and methods of measurement subsequent to initial recognition of our financial assets and financial liabilities are as follows:

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

Impairment of Financial Assets

The Company's financial assets measured at amortized cost consist of assets discussed in Note 18.

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 (i.e. economic indicators).

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.

(d) Network Assets, Property and Equipment

Network assets, property and equipment are recorded at cost less accumulated depreciation and impairment charges, if any. These costs include expenditures directly attributable to the acquisition of the asset. The cost of self-constructed network assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended purpose. This includes direct costs to design, acquire and build the asset and include directly attributable internally and externally generated engineering and construction costs and equipment on-hand. They also include the cost of dismantling and removing items and restoring the site on which they are located and specifically attributable borrowing costs on qualifying assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Company and the costs of the item can be reliably measured. All other expenditures are charged to operating expenses as incurred.

When major components of an item of network assets and property and equipment have different useful lives, they are accounted for as separate items. Depreciation of network assets and property and equipment is based on the estimated useful life of the assets as follows:

	Estimated useful life/ Asset depreciation method
Network assets	3 to 25 years straight line
Cloud and Datacentre infrastructure	3 to 15 years straight line
Computer equipment	3 years straight line
Office furniture and equipment	5 years straight line
Leasehold improvements	over the term of lease
Vehicles	30% declining balance

Depreciation methods, useful lives and residual values are reviewed at least annually. Adjustments, if necessary, are recognized prospectively.

(e) Goodwill and Intangible Assets

Intangible assets include the following:

Radio Spectrum Licenses

Radio spectrum licenses are classified as indefinite life intangible assets and are not amortized but are tested for impairment on an annual basis. It is difficult to determine the period over which these assets are expected to generate future net cash inflows to the Company and it is common industry practice for established telecommunications companies to treat these licenses as indefinite life.

Computer Software

Computer software is recorded at cost less accumulated amortization and amortized on a straight-line basis over 3 years or where there is a term license for the software, over the shorter of the term of the license or the useful life of the software.

Customer Relationships, Brand, and Non-compete agreements

Customer relationships, brand, non-compete agreements are recorded at cost less accumulated amortization, initially measured at fair value on the acquisition date if acquired in a business combination. Customer relationships are amortized on a straight-line basis over a range of 5 to 10 years, brands are amortized over a period of 5 to 20 years, non-compete agreements are amortized on a straight-line basis in accordance with the term of the contracts.

Amortization methods, useful lives and residual values are reviewed at least annually. Adjustments, if necessary, are recognized prospectively.

Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets and liabilities acquired. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination.

(f) Impairment of non-financial assets

The Company performs impairment testing of its non-financial long-lived assets annually, or more frequently if events or circumstances indicate the carrying value of the Entity's single cash generating unit might exceed its recoverable amount. When an impairment test is performed, the recoverable amount is assessed by reference to the higher of i) the net present value of the expected future cash flows (value-in-use) and ii) the fair value less cost to sell. If the recoverable amount is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is charged to operations in the period in which the impairment is identified. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash generating units" or "CGUs").

The carrying values of identifiable intangible assets with indefinite lives and goodwill are tested at minimum annually for impairment. Goodwill and indefinite life intangible assets are allocated to CGUs for the purpose of impairment testing based on the level at which management monitors it, which is not higher than an operating segment. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose. The Company currently has assessed that it has a single CGU.

The carrying values of non-financial assets with finite useful lives, such as network assets, property and equipment and intangible and other assets subject to amortization, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

(g) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in loss in the period incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS sections. Changes in the fair value of contingent consideration initially classified as equity are not recognized.

Where a business combination is achieved in stages, the Company's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Company attains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair value at the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

The measurement period is the period from the date of acquisition to the date the Company obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

(h) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits.

The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the impact is significant, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

Decommissioning and Restoration Obligations:

In the course of the Company's operations, network and other assets are utilized on leased premises. Often costs are expected to be incurred associated with decommissioning these assets and restoring the location where these assets are situated upon ceasing their use on those premises.

These decommissioning and restoration provisions are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Assumptions related to the amount and timing of cash flows required to satisfy the Company's future legal obligations include labour costs based on current marketplace wages and the rate of inflation over expected years to settlement; the length of facility lease renewal periods and probability of such renewals; and the appropriate discount rate to present value the future cash flows. Forecasts of estimated future provisions are reviewed periodically in light of future changes in business conditions or technological requirements.

The Company records these decommissioning and restoration costs as Network Assets, Property and Equipment, and subsequently allocates them to expense using a systematic and rational method over the asset's useful life. The Company records the accretion of the liability (unwinding of the discount) as a charge to finance costs.

(j) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows: At the transaction date, each asset, liability, revenue, and expense is translated into Canadian dollars using the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in net loss in the current year.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested and changes in fair value of financial assets at FVTPL.

Finance costs comprise interest expense on borrowings, accretion of discounts on provisions, accretion of lease liabilities, and changes in fair value of financial assets at FVTPL. Borrowing costs that are not directly attributable are

recognized in loss for the year.

(l) Income Taxes

Income taxes on losses include current and deferred taxes. Income taxes are recognized in loss except to the extent that it relates to business combinations, or items recognized directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is generally recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured, on an undiscounted basis, at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries, branches and associates, and interests in joint ventures where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

A deferred tax asset is recognized to the extent it is probable that it will be realized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent it is no longer probable the related tax benefit will be realized.

(m) Stock-based Compensation Plans

The Company has equity-settled stock-based compensation plans.

The grant date fair values of equity settled stock-based payment awards to employees and directors are recognized as compensation cost, with a corresponding increase to equity, over the vesting period of the award. The Company accounts for the effects of service and non-market performance conditions in measuring the fair value of the equity instruments by adjusting the number of rights to receive awards that are expected to satisfy any service and non-market performance conditions on a best estimate basis.

Awards with graded vesting are valued and recognized as compensation cost based on the respective vesting tranche. The amount of compensation cost recognized is adjusted to reflect the number of awards expected to vest based on continued employment vesting conditions, such that the amount ultimately recognized as compensation cost is based on the number of awards that vest.

The Employee share purchase plan allows employees to voluntarily participate in a share purchase plan. Under the terms of the plan, employees can contribute a specified percentage of their regular earnings through payroll deductions and the Company makes a contribution match which is recorded as compensation expense.

(n) Operating Segments

Management has determined that the Company operates in a single reportable operating segment. The Company provides cloud, colocation, and connectivity services and earns revenues primarily in Canada. As at December 31, 2020 substantially all of the Company’s identifiable assets are located in Canada.

(o) Loss Per Share

The basic loss per share has been computed by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share is computed by adjusting the net loss attributable to common shareholders for the year and the weighted average number of common shares outstanding for the period for the effects of all potentially dilutive common shares including shares subject to the exercise of stock options, where dilutive. The Company uses the treasury stock method for calculating diluted loss per share.

(p) Government Grants

Government grants are recognized when management has reasonable assurance that the entity will comply with the

conditions attached to the grant and the grant will be received. Government grants recognized are accounted for as a reduction in the expense which they are intended to compensate.

4. Revenue

The Company's operations, main sources of revenue, and methods for recognition are those described in Note 3. The Company's revenue is primarily derived from contracts with customers.

a) Disaggregation of revenue

In the following table, the Company's disaggregates revenue into two primary categories that depict the nature of its revenue streams.

		Year ended December 31	
		2020	**2019**
Cloud and Colocation Revenue	$	17,427	18,064
Connectivity Revenue		28,021	30,373
	$	45,448	48,437

b) Contract Costs

The following table summarizes the changes in contract costs during the year:

		2020
Balance, January 1, 2020	$	756
Incremental commissions capitalized		539
Impairment charges from contract terminations		(46)
Amortization		(528)
Balance, December 31, 2020		721
Less: current	$	(324)
		397

c) Contract Liabilities

The following is a table that summarizes the change in contract liabilities during the year:

		2020
Balance, January 1, 2020	$	234
Additions from provisioning		519
Revenue recognized for services provided		(361)
Impairment charges from contract terminations		(12)
Balance, December 31, 2020		380
Less: current	$	(193)
		187

d) Unsatisfied Performance Obligations

The aggregate amount of revenue allocated to performance obligations that are unsatisfied as of December 31, 2020 was $48,146. This represents contractual service obligations that the Company has yet to fulfill under its contracts with customers. The Company expects to recognize this revenue over the next 3 years which represents the average remaining contractual terms prior to renewals. This amount excludes obligations owing for month-to-month contracts

as the unsatisfied term is calculated monthly.

5. 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:

	December 31 2020	December 31 2019
Trade receivables	$ 2,465	$ 2,814
Loss allowances (Note 18)	(66)	(40)
Other	101	115
	$ 2,500	$ 2,889

6. Network Assets, Property and Equipment

Cost	Network Assets	Cloud & Datacentre Infrastructure	Computer Equipment	Office Furniture and Equipment	Leasehold Improvements	Vehicles	Right-of-use Assets	Total
Balance, January 1, 2020	$ 123,639	$ 12,104	$ 4,971	$ 2,362	$ 3,077	$ 49	$ 32,016	$ 178,218
Additions	7,256	247	102	11	-	-	1,200	8,816
Disposals	(763)	-	-	-	-	-	(251)	(1,014)
Reclassifications / Modifications	-	-	9	(9)	-	-	3,043	3,043
Impairment	(2,729)	(220)	(3)	(41)	(7)	-	(54)	(3,054)
Balance, December 31, 2020	**$** 127,403	**$** 12,131	**$** 5,079	**$** 2,323	**$** 3,070	**$** 49	**$** 35,954	**$** 186,009
Accumulated Depreciation								
Balance, January 1, 2020	$ 99,884	$ 4,081	$ 4,928	$ 2,307	$ 2,138	$ 49	$ 5,269	$ 118,656
Depreciation for the period	6,474	901	48	32	319	-	5,527	13,301
Disposals	(565)	-	-	-	-	-	(67)	(632)
Reclassifications / Modifications	(2)	2	-	-	-	-	(4)	(4)
Impairment	(1,789)	(100)	(2)	(34)	(5)	-	(31)	(1,961)
Balance, December 31, 2020	**$** 104,002	**$** 4,884	**$** 4,974	**$** 2,305	**$** 2,452	**$** 49	**$** 10,694	**$** 129,360
Net Book Value, December 31, 2020	**$** 23,401	**$** 7,247	**$** 105	**$** 18	**$** 618	**$** -	**$** 25,260	**$** 56,649

Cost	Network Assets	Cloud & Datacentre Infrastructure	Computer Equipment	Office Furniture and Equipment	Leasehold Improvements	Vehicles	Right-of-use Assets	Total
Balance, January 1, 2019	$ 120,025	$ 11,735	$ 4,988	$ 2,356	$ 3,099	$ 49	$ 30,507	$ 172,759
Additions	6,095	576	15	8	2	-	545	7,241
Disposals	(734)	(240)	-	(1)	-	-	(131)	(1,106)
Reclassifications / Modifications	(21)	45	-	-	(24)	-	1,115	1,115
Impairment	(1,726)	(12)	(32)	(1)	-	-	(20)	(1,791)
Balance, December 31, 2019	**$** 123,639	$ 12,104	$ 4,971	$ 2,362	$ 3,077	$ 49	$ 32,016	$ 178,218
Accumulated Depreciation								
Balance, January 1, 2019	$ 94,924	$ 3,206	$ 4,776	$ 2,265	$ 1,686	$ 49	$ -	$ 106,906
Depreciation for the period	6,633	879	182	42	452	-	5,300	13,488
Disposals	(667)	(4)	-	-	-	-	(24)	(695)
Reclassifications / Modifications	(14)	7	-	-	-	-	-	(7)
Impairment	(992)	(7)	(30)	-	-	-	(7)	(1,036)
Balance, December 31, 2019	**$** 99,884	$ 4,081	$ 4,928	$ 2,307	$ 2,138	$ 49	$ 5,269	$ 118,656
Net Book Value, December 31, 2019	**$** 23,755	$ 8,023	$ 43	$ 55	$ 939	$ -	$ 26,747	$ 59,562

For the years ended December 31, 2020 and 2019, the Company had additions of capitalized wages and other directly attributable costs of $2,149 and $1,999, respectively, in network assets, property and equipment.

During 2020, the Company wrote off assets with net book value of $382 (Cost of $1,014 less accumulated depreciation of $632, $184 of which was recognized against lease liabilities) which primarily represents replaced assets and obsolete assets disposed of for negligible value. During 2019, the Company wrote off assets with a net book value of $411 (Cost of $1,106 less accumulated depreciation of $695, $115 of which was recognized against lease liabilities). The corresponding loss on disposal is included in other operating expenses.

Impairment of Network Assets, Property, and Equipment

The Company tests Network assets, property and equipment for impairment when events or circumstances may indicate the carrying value is no longer recoverable. The asset is impaired when the recoverable amount is less than the net book value. The recoverable amount is the higher of (i) an asset‘s fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test the Company identified evidence of impairment in certain assets and an analysis was done on the recoverable amount. The Company determined that the recoverable amount of certain network assets, cloud and datacentre infrastructure, and computer equipment was less than their carrying values. This was the result of the loss of certain customers, changes in services demanded and provided to certain customers in primarily connectivity offerings, and assets not expected to be deployed. The fair value less costs to sell (or salvage value) for the impaired assets was insignificant. For the year ended December 31, 2020 the Company recorded a charge of $1,093 in other operating expenses on the statement of comprehensive loss (December 31, 2019 – $755).

7. Intangible Assets and Goodwill

Cost	Radio spectrum licenses	Computer Software	Customer relationships	Other	Total Intangibles	Goodwill	Total Intangibles and Goodwill
Balance, January 1, 2020	$ 12,649	$ 9,868	$ 18,021	$ 4,831	$ 45,369	$ 19,419	$ 64,788
Additions	-	-	-	-	-	-	-
Disposals / Adjustments	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Balance, December 31, 2020	**$** 12,649	**$** 9,868	**$** 18,021	**$** 4,831	**$** 45,369	**$** 19,419	**$** 64,788
Accumulated Depreciation							
Balance, January 1, 2020	$ 2,371	$ 9,661	$ 11,780	$ 2,952	$ 26,764	$ -	$ 26,764
Amortization for the period	-	139	1,242	127	1,508	-	1,508
Impairment	-	-	-	-	-	-	-
Balance, December 31, 2020	**$** 2,371	**$** 9,800	**$** 13,022	**$** 3,079	**$** 28,272	**$** -	**$** 28,272
Net Book Value, December 31, 2020	**$** 10,278	**$** 68	**$** 4,999	**$** 1,752	**$** 17,097	**$** 19,419	**$** 36,516

Cost	Radio spectrum licenses	Computer Software	Customer relationships	Other	Total Intangibles	Goodwill	Total Intangibles and Goodwill
Balance, January 1, 2019	$ 12,649	$ 9,840	$ 17,690	$ 4,831	$ 45,010	$ 19,419	$ 64,429
Additions	-	35	331	-	366	-	366
Disposals / Adjustments	-	-	-	-	-	-	-
Impairment	-	(7)	-	-	(7)	-	(7)
Balance, December 31, 2019	**$** 12,649	$ 9,868	$ 18,021	$ 4,831	$ 45,369	$ 19,419	$ 64,788
Accumulated Depreciation							
Balance, January 1, 2019	$ 2,371	$ 9,176	$ 10,597	$ 2,823	$ 24,967	$ -	$ 24,967
Amortization for the period	-	487	1,183	129	1,799	-	1,799
Impairment	-	(2)	-	-	(2)	-	(2)
Balance, December 31, 2019	**$** 2,371	$ 9,661	$ 11,780	$ 2,952	$ 26,764	$ -	$ 26,764
Net Book Value, December 31, 2019	**$** 10,278	$ 207	$ 6,241	$ 1,879	$ 18,605	$ 19,419	$ 38,024

Impairment of Intangible Assets

The annual impairment test of intangible assets was performed on December 31, 2020 and no assets were identified requiring impairment (December 31, 2019 – $5).

The Company tests intangible assets for impairment when events or circumstances may indicate the carrying value is no longer recoverable. The asset is impaired when the recoverable amount is less than the net book value. The recoverable amount is the higher of (i) an asset's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test the Company identified evidence of impairment in certain assets and an analysis was done on the recoverable amount.

Impairment of Goodwill

The annual impairment test of goodwill and indefinite life intangible assets was performed on December 31, 2020 and December 31, 2019 and did not result in any goodwill impairment loss.

The recoverable amount is the higher of (i) an asset's or CGU's fair value less costs to sell and (ii) its value-in-use. In performing the annual impairment test for the Company's single CGU, the Company measured the value-in-use of the

CGU using certain significant management assumptions. Cash flow projections, which were made over a five-year period, were based primarily on the financial budget reviewed by the Board of Directors plus a terminal value using a 3% terminal growth rate. The Company discounted these estimates of future cash flows to their present value using an after-tax discount rate of 9.0% which reflects the entity's weighted average cost of capital. The fair value less costs to sell, primarily based on the Company's market capitalization as at December 31, 2020, also significantly exceeded the net carrying amount of the CGU.

8. Decommissioning and Restoration Obligations

The Company's hub sites are established in leased or licensed premises. As part of these arrangements, the Company is liable for all restoration costs to ensure that the space is returned to its original state upon termination of the leases. The decommissioning and restoration obligations are related to future site restoration costs associated to these leased or licensed premises. The decommissioning and restoration obligations were determined using a discount rate of 9.0% over a range of periods from 2025 to 2045. As at December 31, 2020, the estimated amount of undiscounted cash flows required to settle this liability was $1,218.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the decommissioning and restoration obligations associated with the retirement of network assets:

	December 31 2020	December 31 2019
Obligation, beginning of year	$ 276	$ 277
Accretion expense included in finance costs	28	28
Changes in assumptions	56	(29)
Obligation, end of year	$ 360	$ 276

9. Long-term Debt

	December 31 2020	December 31 2019
Term debt facility	$ 28,405	$ 28,652
less: financing fees	(261)	(182)
	28,144	28,470
less: current portion	(3,000)	(4,000)
	$ 25,144	$ 24,470

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.

In March 2019, the Company entered into a third amended agreement with the syndicate led by NBC which had the effect of excluding the impact of IFRS 16 on certain covenant calculations, and thereby maintaining accounting definitions in effect when the credit agreement was first entered into in June 2014.

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 $35,000 (from $75,000) and extended the term from June 14, 2021 to June 30, 2022. Effective June 30, 2020, NBC 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 $35,000 facility that matures June 30, 2022 is made up of the following:

- $5,000 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 (2019 - $nil). Letters of credit issued under the facility totaled $625 as of December 31, 2020 (December 31, 2019 - $655).

- $30,000 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 $750. This facility was fully drawn upon signing the amended and restated credit agreement.

At December 31, 2020, $28,400 of the term facility principal balance outstanding was in a banker's acceptance bearing interest at prime plus a margin percent and the remaining $100 was in a prime rate loan. As at December 31, 2020, the Company prepaid interest in the amount of $95 which represents the net settlement of the Banker's Acceptance and is recorded as a reduction in the carrying amount of the debt.

During the year, the Company's existing interest rate swap contracts were terminated, and the Company paid cash of $629 to settle the contracts. Until the date of settlement, the interest rate swap contracts had not been designated as a hedge and were marked-to-market each period, with the corresponding charge (recovery) for the change in fair value recorded in finance costs. The effective interest rate on the Company's long-term debt on December 31, 2020 was 4.21% (2019 – 5.34%).

During the year ended December 31, 2020, the Company incurred $267 (2019 – nil) 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.

10. Leases

The Company has many leases of which it is a lessee. The major categories of leases are building leases for the Company's fixed wireless services, datacentre leases for colocation and cloud service offerings, network equipment, corporate offices, and warehouses. Lease terms vary by category and range from 1 to 15 years.

a) Right-of-use Asset

Changes in the right-of-use asset are summarized in Note 6 of these Consolidated Financial Statements.

b) Lease Liability

The following table is a summary of the changes in the lease liability during the year:

	2020	2019
Lease liabilities, beginning of period	$ 28,758	$ 31,457
Additions	1,200	545
Terminations	(184)	(115)
Interest on lease liabilities	2,651	2,754
Modifications	3,024	1,099
Lease payments	(7,434)	(6,982)
Lease liabilities – end of period	28,015	28,758
less: current portion	(7,236)	(7,014)
	$ 20,779	$ 21,744

A maturity analysis of these leases is set out in the below table:

	2021	2022	2023	2024	2025	Thereafter	Total
Undiscounted cash flows	$ 7,236	6,769	5,553	4,330	3,660	10,335	37,883

11. Other Long-Term Assets/Liabilities

(a) Other long-term assets

	December 31 2020	December 31 2019
Contract asset	$ 120	$ 33
	120	33
less: current portion	(79)	(17)
	$ 41	$ 16

(b) Other long-term liabilities

	December 31 2020	December 31 2019
Interest rate swap contract (Note 9)	$ -	$ 235
	-	235

12. Commitments & Contingencies

(a) Contingencies

From time to time the Company is subject to reviews conducted by its vendors over various licenses we purchase and offer to our customers. One such review was conducted in 2019 and a preliminary findings report was issued by the vendor which gave rise to a contingent liability. At December 31, 2020, the Company is in the process of formally negotiating a settlement with the vendor. Included in the accrued liabilities balance as at December 31, 2020 is a provision of $491 which, using all currently available information, represents management's best estimate (within a range of probable outcomes) of the expected cash outflow (2019 - $500). The final outcome is subject to measurement uncertainty and is expected to be finalized within fiscal 2021.

(b) Commitments

At December 31, 2020, the Company had various purchase commitments to fulfill sales orders in the normal course of operations. Below is a summary of the future minimum payments for contractual obligations that are not recognized as liabilities at December 31, 2020:

		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
Total Commitments		4,789	2,815	2,011	1,086	461	-	11,162

The Company is required to pay, under a CRTC-administered regime, a percentage (2020 - 0.44%, 2019 – 0.52%) of its adjusted Canadian telecommunications service revenue (as defined by CRTC and excluding retail Internet revenue) into a fund administered by CRTC.

13. Income Taxes

(a) Income tax expense (recovery)

		December 31 2020		December 31 2019
Profit (Loss) before income taxes (recovery)	$	(8,259)	$	(6,994)
Income taxes at enacted rate of 26.41%		(2,181)		(1,861)
Non-deductible expenses and permanent differences		405		539
Change in unrecognized deductible temporary differences		1,879		1,667
Effect of change in future tax rates		118		(88)
True-up adjustment and other		(221)		(257)
	$	-	$	-

(b) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

		December 31 2020		December 31 2019
Deferred Tax Assets:				
Income tax loss carryforwards	$	2,629	$	63
Deferred Tax Liabilities:				
Contract Costs		-		-
Property, Plant, & Equipment		(2,629)		(63)
	$	-	$	-

The Company has recognized deferred tax assets of $2,629 (2019 - $63) related to income tax loss carryforwards and recognized deferred tax liabilities in the amount of $2,629 related to Network Assets, Property and Equipment.

(c) Unrecognized deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items because they do not meet the criteria for recognition.

Unrecognized Deferred Tax Assets:	December 31 2020	December 31 2019
Excess of tax value of network assets, property and equipment, and intangible assets over net book value	$ -	$ -
Non-capital tax loss carryforwards	17,103	15,213
Capital lease obligations	722	638
Other deductible temporary differences	1,250	1,344
	$ 19,075	$ 17,195

(d) Reconciliation of effective tax rate

	December 31 2020	%	December 31 2019	%
Loss before Income taxes	$ (8,259)		$ (6,994)	
Income tax recovery at statutory rates	(2,181)	26.4%	(1,861)	26.6%
Permanent differences	405	(4.9%)	539	(7.7%)
Unrecognized deferred tax assets	1,879	(22.8%)	1,667	(23.8%)
Effect of changes in future tax rates	118	(1.4%)	(88)	1.3%
Provision to return adjustment for prior year and other	(221)	2.7%	(257)	3.7%
Income tax expense (recovery)	$ -	-	$ -	-

(e) Tax loss expiry schedule

The non-capital tax losses carried forward are available to reduce future taxable income in Canada and expire as follows:

2030	$ 1,356
2031	1,386
2032	-
2033	647
2034	674
2035	1,651
2036	2,640
2037	21,153
2038	15,969
2039	16,127
2040 and later	12,684
	$ 74,287

14. Share Capital

Authorized

Unlimited Common Shares

Issued	Number of Common Shares	In $ Common Shares	Share Issue Costs	Total
Balance, January 1, 2019	15,768	100,570	(7,308)	93,262
Issuance of common shares on exercise of stock options	21	125	-	125
Issuance of common shares for directors' fees	34	357	-	357
Issuance of common shares for equity offering	805	8,855	(753)	8,102
Balance, December 31, 2019	16,628	109,907	(8,061)	101,846
Issuance of common shares on exercise of stock options	2	4	-	4
Issuance of common shares for directors' fees	46	289	-	289
Issuance of common shares from vesting of RSUs/PSUs	159	1,084	-	1,084
Shares deducted for payment of withholding taxes	(73)	-	-	-
Balance, December 31, 2020	16,762	111,284	(8,061)	103,223

Equity Offering

On July 3, 2019, the Company completed an equity offering to issue and sell 805 common shares for gross proceeds of $8,855 (the “Offering”). Proceeds net of actual commissions, legal, accounting, and listing fees was $8,102. 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.

Dividends

Dividends are payable in an equal amount on each common share if declared by the Board of Directors of the Company. No dividends were declared for the years ended December 31, 2020 and 2019.

15. Stock-Based Compensation

(a) Stock Options

The company adopted its current option plan on June 18, 2007 (the “Option Plan”) which is available to directors, officers, employees and other persons approved by the Board from time to time. The options granted under the Option Plan expire 10 years from the date of grant and generally vest over three years. All options under the Option Plan will vest immediately on a change of control of the Company. As of December 31, 2020, there are 389 (2019 – 217) options outstanding under the Option Plan.

For the years ended December 31, 2020 and 2019, the Company recorded stock-based compensation related to stock options of $640 and $157, respectively.

A summary of the status of the Company's stock Option Plan as at December 31, 2020 and 2019 is presented below.

	2020		2019	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding - January 1	217	$8.72	55	$4.40
Granted	194	$6.45	190	$9.49
Exercised	(2)	$4.40	(21)	$4.40
Forfeited / Expired	(20)	$6.44	(7)	$8.48
Outstanding - December 31	389	$7.73	217	$8.72
Exercisable	135	$7.59	11	$4.40

The Company granted stock options to certain key executives during the year. The fair value of stock option grants is estimated using the Black-Scholes option pricing model, with the following weighted average assumptions: risk-free rates ranging from 0.23% to 0.66%; dividend yield of nil; volatility rates ranging from 33.31% to 34.41%; and expected term of stock options of 6.5 years. Expected volatility has been based on an evaluation of the historical period commensurate with the expected term. The expected term of the stock options has been based on historical experience and general option holder behavior. The fair value of the stock options is expensed over the vesting period of the options using the graded method.

As at December 31, 2020, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows:

	Options Outstanding			Options Exercisable	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable**	**Weighted average exercise price**
$4.01 - $5.50	27	6.64	$4.40	27	$4.40
$6.01 - $12.00	362	9.00	$8.31	108	$8.38
	389	8.91	$7.73	135	$7.59

(b) Restricted Share Units (RSUs)

On March 12, 2009, the Company established an RSU Plan which is available to the directors, officers, and full-time employees approved by the Board. Plan participants are granted a specific number of RSUs for a given period based on their position and level of contribution which generally vest over a three-year period. The value of one RSU is equal to the value of one Common Share. At the end of the vesting period, the RSUs vest if the plan participant is employed by the Company. On June 21, 2019, the shareholders of the Company approved the board of directors' recommendation to amend the RSU Plan whereby common shares may be issued from treasury to settle current and future vested PSUs and RSUs.

In 2020, the Company granted 46 RSUs to certain executives (2019 – 39). In 2020, 159 RSUs vested and the company issued common shares (2019 – 12 vested and cash settled). For the years ended December 31, 2020 and December 31, 2019, the Company recorded compensation expense of $582 and $1,314, respectively, related to the RSUs granted.

RSU modification and adjustment:

On June 21, 2019, the shareholders of the Company approved the board of directors' recommendation to amend the RSU Plan whereby up to 300,000 common shares may be issued from treasury to settle current and future vested PSUs and RSUs. Following this amendment, the awards were determined to be modified from cash-settled to equity-settled, and the previous cash-settled liability was revalued to its modification date fair value and derecognized and a corresponding amount was recorded in contributed surplus on the statement of financial position. The impact of the change resulted in a $701 stock based compensation charge recorded in net loss for the year ended December 31, 2019.

As a result of the reclassification on the modification date, a balance of $1,328, representing the liability balance of the awards, was recorded in contributed surplus related to the RSUs outstanding.

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

	December 31 2020	December 31 2019
Opening Balance, January 1, 2020	255	282
Granted	46	39
Forfeited	(32)	(54)
Vested and settled / paid	(159)	(12)
Ending Balance, December 31, 2020	110	255

(c) Performance Based Share Units (PSUs)

Plan participants are granted a specific number of PSUs for a given period based on their role within the Company and level of performance which generally vest over a three-year period. The value of one PSU is equal to the value of one Common Share. PSUs are also issued pursuant to the RSU Plan. At the end of the vesting period, the PSUs vest if the plan participant is employed by the Company and certain performance criteria are met. On June 21, 2019, the shareholders of the Company approved the board of directors' recommendation to amend the RSU Plan whereby common shares may be issued from treasury to settle current and future vested PSUs and RSUs.

There were 46 PSUs granted in 2020 (2019– 39) to certain key executives. In 2020, nil PSUs vested and were paid (2019 – 19 vested and cash settled). For the years ended December 31, 2020 and December 31, 2019, the Company recorded stock-based compensation expense of $4 and $156, respectively, related to the PSUs outstanding.

PSU modification and adjustment:

On June 21, 2019, the shareholders of the Company approved the board of directors' recommendation to amend the PSU Plan whereby up to 300,000 common shares may be issued from treasury to settle current and future vested PSUs and RSUs. Following this amendment, the awards were determined to be modified from cash-settled to equity-settled, and the previous cash-settled liability was revalued to its modification date fair value and derecognized and a corresponding amount was recorded in contributed surplus on the statement of financial position. The impact of the change resulted in a net ($16) stock based compensation recovery recorded in net loss for the year ended December 31, 2019.

As a result of the reclassification on the modification date, a balance of $5, representing the liability balance of the awards, was recorded in contributed surplus related to the PSUs outstanding.

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

	December 31 2020	December 31 2019
Opening Balance, January 1, 2020	32	19
Granted	46	39
Vested and paid	-	(19)
Forfeited / Expired	(50)	(7)
Ending Balance, December 31, 2020	28	32

(d) Stock-Based Compensation Summary

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

	Year ended December 31 2020	Year ended December 31 2019
Restricted share units	$ 582	$ 1,314
Performance-based share units	4	156
Stock options	640	157
Directors' fees paid in shares	289	357
	$ 1,515	$ 1,984

16. Loss Per Share

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

		Year ended December 31 2020	Year ended December 31 2019
Numerator for basic and diluted loss per share:			
Net loss for the period	$	(8,259)	(6,994)
Denominator for basic and diluted loss per share:			
Basic weighted average number of shares outstanding		16,693	16,195
Effect of stock options, RSUs and PSUs		-	-
Diluted weighted average number of shares outstanding		16,693	16,195
Loss per share:			
Basic	$	(0.49)	(0.43)
Diluted	$	(0.49)	(0.43)

For the year ended December 31, 2020, the effect of outstanding share-based awards totaling 561 (2019 – 389), were excluded in the calculation of diluted loss per share because they were antidilutive.

17. Key Management Personnel Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including the directors of the Company.

Key management personnel compensation, including directors, is as follows:

	Year ended December 31 2020	Year ended December 31 2019
Salaries, fees and benefits	$ 2,297	$ 2,250
Termination expense	1,140	796
Share-based compensation expense	1,505	1,954
	$ 4,942	$ 5,000

18. 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 7 – 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 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 interest rate swap contracts are 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.

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)	
	December 31 2020	December 31 2019	December 31 2020	December 31 2019
Financial Liabilities				
Interest rate swap contract	$ -	$ 235	$ -	$ 235
Long-term debt	28,144	28,470	28,144	28,470

b) Credit risk

As a result of the recent major changes in market conditions as a result of the ongoing COVID-19 pandemic, the Company re-evaluated its credit risk and concluded that no major changes to existing strategies were necessary in addition to those already disclosed in the notes to these Consolidated Financial Statements. The Company will continue to monitor and re-evaluate this risk as the COVID-19 pandemic and its associated impacts continue to unfold.

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 place 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 trade receivable accounts that were not expected to be collected. The following table provides the aging of the trade accounts receivable:

	December 31 2020	December 31 2019
Current	$ 1,996	$ 2,205
31 to 60 days	307	523
61 to 90 days	48	84
over 90 days	114	2
	$ 2,465	2,814

During the year, the movement in the credit loss allowance in respect of trade receivables was as follows:

	December 31 2020
Opening Balance, January 1, 2020	40
Amounts written off	(31)
Remeasurement of loss allowance	57
Ending Balance, December 31, 2020	66

c) Liquidity Risk

As a result of the recent major changes in market conditions as a result of the ongoing COVID-19 pandemic, the Company re-evaluated its liquidity risk and concluded that no major changes to existing strategies were necessary in addition to those already disclosed in the notes to these Consolidated Financial Statements. The Company will continue to monitor and re-evaluate this risk as the COVID-19 pandemic and its associated impacts continue to unfold.

The Company believes that its current cash and cash equivalents and anticipated cash from operations will be sufficient to meet its working capital and capital expenditure requirements for the foreseeable future. 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 $5,858. The Company also has access to $4,375 undrawn portion of its $35,000 credit facilities after consideration of outstanding letters of credit, current drawings and subject to certain financial and non-financial covenants.

As at December 31, 2020, the Company's financial liabilities that have contractual maturities are summarized below:

	Less than 1 year	2 - 3 years	Total
Long-term debt	$ 3,000	$ 25,144	$ 28,144
Accounts payable	2,360	-	2,360
Total	$ 5,360	$ 25,144	$ 30,504

d) Interest Rate Risk

As a result of the recent modification of the Company's credit facility and termination of its interest rate swap (see Note 9), the Company no longer has a fixed interest rate on its long-term debt. As such, the Company is more exposed to fluctuations in interest rates. However, given that interest rates are currently low and the Bank of Canada forecasts rates to remain low in the medium term, the Company does not believe interest rate risk to be significant during such period. A 1% change in interest rate would have increase (decreased) quarterly interest by $71. As at December 31, 2020, the revolving facility balance was $nil. The drawn term facility as at December 31, 2020 was $28,500, $28,400 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 $100 drawn under this facility bears interest at prime rate plus a margin.

e) Currency Risk

The Company has suppliers that are not based in Canada which gives rise to a risk that earnings and cash flows may be adversely affected by fluctuations in foreign currency exchange rates. The Company is primarily exposed to the fluctuations in the dollar. The Company believes this risk is minimal and does not use financial instruments to hedge these risks. A one cent appreciation in the U.S. dollar to Canadian dollar foreign exchange rate would have an insignificant impact on income. Balances denominated in foreign currencies that are considered financial instruments are as follows:

	Currency	December 31 2020	December 31 2019
Cash and cash equivalents	USD	$ 45	$ 27
Accounts payable and accrued liabilities	USD	695	954

19. Capital Risk Management

The Company's objectives when managing capital are:

(a) to ensure that the Company will continue as a going concern so that it can continue to provide services to its customers and offer a return on investment to its shareholders;
(b) to maintain a capital structure which optimizes the cost of capital while providing flexibility and diversity of funding sources and timing of debt maturities along with adequate anticipated liquidity for future growth; and
(c) to comply with debt covenants.

The Company defines capital that it manages as the aggregate of its cash and cash equivalents, short-term investments, debt facilities including finance leases and equity comprising of share capital, contributed surplus and deficit.

	December 31 2020	December 31 2019
Cash and cash equivalents	$ (5,858)	$ (8,686)
Long term debt	28,144	28,470
Share capital	103,223	101,846
Contributed surplus	27,191	27,548
Deficit	(89,548)	(81,289)
	$ 63,152	$ 67,889

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will make changes to its capital structure as deemed appropriate under the specific circumstances.

The Company's overall strategy with respect to management of capital remains unchanged from the year ended December 31, 2019.

20. Government Grants

The Company determined it was eligible for the Canada Emergency Wage Subsidy ("CEWS") based on the prescribed criteria by the Government of Canada. During the year ended December 31, 2020, the Company recorded the $1,265 grant received as a reduction in salaries and related costs for amounts received in cash under the program. During the year ended December 31, 2020, the Company took significant measures to manage costs, including the reduction of discretionary expenses and availing itself of applicable Government programs, including the CEWS.