

TERAGO INC.
Interim Condensed Consolidated Financial Statements
Three and six months ended June 30, 2021 and 2020

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Interim Condensed Consolidated Financial Statements

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TERAGO INC.**Unaudited Interim Condensed Consolidated Statements of Financial Position
(In thousands of Canadian dollars)**

	<i>Note</i>	June 30 2021	December 31 2020
Assets			
Cash and cash equivalents	4	\$ 9,860	\$ 5,858
Accounts receivable	4	2,632	2,500
Prepaid expenses and other assets		902	804
Current portion of contract costs	3	348	324
Current portion of other long-term assets	9	63	79
Total current assets		13,805	9,565
Network assets, property and equipment	5	56,410	56,649
Intangible assets	6	16,385	17,097
Goodwill	6	19,419	19,419
Contract costs	3	697	397
Other long-term assets	9	12	41
Total non-current assets		92,923	93,603
Total Assets		\$ 106,728	\$ 103,168
Liabilities			
Accounts payable and accrued liabilities		\$ 4,666	\$ 5,403
Current portion of contract liabilities	3	197	193
Current portion of long-term debt	7	2,250	3,000
Current portion of lease liabilities	8	7,628	7,236
Total current liabilities		14,741	15,832
Decommissioning and restoration obligations		446	360
Contract liabilities	3	194	187
Long-term debt	7	19,757	25,144
Lease liabilities	8	19,803	20,779
Total non-current liabilities		40,200	46,470
Total Liabilities		54,941	62,302
Shareholders' Equity			
Share capital	14	117,582	103,223
Contributed surplus		26,972	27,191
Warrant reserve	14	743	-
Deficit		(93,510)	(89,548)
Total Shareholders' Equity		\$ 51,787	\$ 40,866
Total Liabilities and Shareholders' Equity		\$ 106,728	\$ 103,168

On behalf of the Board:

(signed) "Ken Campbell"

Director

(signed) "Gary Sherlock"

Director

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

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

	Note	Three months ended June 30		Six months ended June 30	
		2021	2020	2021	2020
Revenue	3	\$ 10,903	11,648	21,732	23,265
Expenses					
Cost of services		2,683	2,328	5,197	4,587
Salaries and related costs		3,602	3,308	7,855	7,583
Other operating expenses		1,775	1,897	3,426	3,809
Depreciation of network assets, property, and equipment	5	3,269	3,301	6,516	6,690
Amortization of intangible assets	6	352	372	712	775
		<u>11,681</u>	<u>11,206</u>	<u>23,706</u>	<u>23,444</u>
Income (Loss) from operations		(778)	442	(1,974)	(179)
Foreign exchange gain (loss)		19	(33)	40	(154)
Finance costs		(1,049)	(1,093)	(2,052)	(2,609)
Finance income		12	28	24	83
Loss before income taxes		<u>\$ (1,796)</u>	<u>(656)</u>	<u>(3,962)</u>	<u>(2,859)</u>
Income taxes					
Income tax expense		-	-	-	-
Net loss and comprehensive loss		<u>\$ (1,796)</u>	<u>(656)</u>	<u>(3,962)</u>	<u>(2,859)</u>
Deficit, beginning of period		<u>\$ (91,714)</u>	<u>(83,492)</u>	<u>(89,548)</u>	<u>(81,289)</u>
Deficit, end of period		<u>\$ (93,510)</u>	<u>(84,148)</u>	<u>(93,510)</u>	<u>(84,148)</u>
Basic & Diluted loss per share	11	\$ (0.09)	(0.04)	(0.22)	(0.17)
Basic & Diluted weighted average number of shares outstanding		19,618	16,670	18,204	16,652

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

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

		Three months ended June 30		Six months ended June 30	
	Note	2021	2020	2021	2020
Operating Activities					
Net loss for the period		(1,796)	(656)	(3,962)	(2,859)
Adjustments to reconcile net loss to net cash provided by operating activities:					
Severance, acquisition, and other costs		89	158	519	149
Depreciation of network assets, property and equipment	5	3,269	3,301	6,516	6,690
Amortization of intangible assets	6	352	372	712	775
Stock-based compensation expense	10	250	417	479	764
Finance costs		1,049	1,093	2,052	2,609
Finance income		(12)	(28)	(24)	(83)
Loss on adjustments and disposal of network assets and intangible assets	5	117	30	123	75
Impairment of assets and related charges	3, 5	70	108	227	176
Severance, acquisition, and other costs paid		(252)	(314)	(632)	(521)
Stock-based compensation paid		(150)	-	(150)	-
Changes in non-cash working capital items:					
Accounts receivable		(59)	394	(63)	(68)
Prepaid expenses		(222)	(410)	(113)	(453)
Accounts payable and accrued liabilities		(391)	318	(1,143)	66
Contract liabilities		(12)	-	11	-
Contract costs		(73)	(7)	(332)	19
Cash from Operating Activities		2,229	4,776	4,220	7,339
Investing Activities					
Purchase of network assets, property, and equipment	5	(2,248)	(1,909)	(4,541)	(4,118)
Change in non-cash working capital related to network assets, property and equipment and intangible assets		(25)	95	78	317
Cash used in Investing Activities		(2,273)	(1,814)	(4,463)	(3,801)
Financing Activities					
Proceeds from issuance of warrants	14	743	-	743	-
Proceeds from equity offering	14	13,812	-	13,812	-
Proceeds from debt borrowings		-	1,700	-	3,100
Interest swap settlement	7	-	(629)	-	(629)
Interest paid, net of received		(410)	-	(703)	(285)
Repayment of long-term debt	7	(5,250)	(1,100)	(6,000)	(2,100)
Financing costs incurred		(85)	(181)	(85)	(181)
Payments of lease liabilities	8	(2,016)	(1,849)	(3,922)	(3,760)
Government grants	13	242	927	400	927
Cash from (used in) Financing Activities		7,036	(1,132)	4,245	(2,928)
Net change in cash and cash equivalents, during the period		6,992	1,830	4,002	610
Cash and cash equivalents, beginning of period		2,868	7,466	5,858	8,686
Cash and cash equivalents, end of period		9,860	9,296	9,860	9,296

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

TERAGO INC.**Unaudited Interim Condensed Consolidated Statements of Changes in Equity****(In thousands of Canadian dollars)**

	Share Capital		Contributed Surplus	Warrant Reserve	Deficit	Total
	Number (in 000's)	Amount				
Balance, January 1, 2021	16,762	\$ 103,223	\$ 27,191	\$ -	(89,548)	\$ 40,866
Issuance of shares upon exercise of options	1	3	(3)	-	-	-
Stock-based compensation	-	-	341	-	-	341
Issuance of common shares from vesting of RSUs/PSUs	64	490	(490)	-	-	-
Shares deducted for payment of withholding tax	(20)	-	(150)	-	-	(150)
Issuance of shares and warrants for equity offering (net of issuance costs)	2,802	13,812	-	743	-	14,555
Issuance of shares for directors' fees	10	53	84	-	-	137
Net loss and comprehensive loss	-	-	-	-	(3,962)	(3,962)
Balance, June 30, 2021	19,619	\$ 117,581	\$ 26,973	\$ 743	(93,510)	\$ 51,787

	Share Capital		Contributed Surplus	Deficit	Deficit	Total
	Number (in 000's)	Amount				
Balance, January 1, 2020	16,628	\$ 101,846	\$ 27,548	\$ -	(81,289)	\$ 48,105
Issuance of common shares from vesting of RSUs/PSUs	82	495	(495)	-	-	-
Stock-based compensation	-	-	726	-	-	726
Issuance of shares for directors' fees	7	38	-	-	-	38
Shares deducted for payment of withholding tax	(33)	-	(241)	-	-	(241)
Net loss and comprehensive	-	-	-	-	(2,859)	(2,859)
Balance, June 30, 2020	16,684	\$ 102,379	\$ 27,538	\$ -	(84,148)	\$ 45,769

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

TERAGO INC.
Notes to the Interim Condensed Consolidated Financial Statements
(In thousands, except for per share amounts)

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

These unaudited interim condensed consolidated financial statements (“interim financial statements”) were prepared using the same accounting policies and methods as those used in the Company’s consolidated financial statements for the year ended December 31, 2020 (the “2020 Consolidated Financial Statements”). These interim financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”), have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements have been set out in Note 2 of the Company’s 2020 Consolidated Financial Statements. The notes presented in these interim financial statements include only significant changes and transactions that have occurred since the last fiscal year. Accordingly, these interim financial statements should be read in conjunction with the Company’s 2020 Consolidated Financial Statements.

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

The policies applied in these interim financial statements are based on IFRS issued and outstanding as at June 30, 2021. The Board of Directors authorized the interim financial statements for issue on August 10, 2021.

These interim financial statements include the accounts of TeraGo Inc. and its wholly owned subsidiaries.

(a) Functional and Presentation Currency

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

3. Revenue

The Company’s operations, main sources of revenue, and methods for recognition are those described in Note 3 of the 2020 Consolidated Financial Statements. The Company’s revenue is primarily derived from contracts with customers.

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

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements**
(In thousands of Canadian dollars, except for per share amounts)

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.

		Three months ended		Six months ended	
		June 30		June 30	
		2021	2020	2021	2020
Cloud and Colocation Revenue	\$	4,324	4,203	8,427	8,321
Connectivity Revenue		6,579	7,445	13,305	14,944
	\$	10,903	11,648	21,732	23,265

The comparative numbers for the three and six months ended June 30, 2020 have been changed to conform with the presentation of revenue stream allocations for the three and six months ended June 30, 2021.

b) Contract Costs

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

		2021
Balance, March 31, 2021	\$	976
Incremental commissions capitalized		199
Impairment charges from contract terminations		(4)
Amortization		(126)
Balance, June 30, 2021		1,045
Less: current	\$	(348)
		697
		2021
Balance, January 1, 2021	\$	721
Incremental commissions capitalized		564
Impairment charges from contract terminations		(8)
Amortization		(232)
Balance, June 30, 2021		1,045
Less: current	\$	(348)
		697

TERAGO INC.
Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of Canadian dollars, except for per share amounts)

c) Contract Liabilities

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

		2021
Balance, March 31, 2021	\$	403
Additions from provisioning		45
Revenue recognized for services provided		(55)
Write-offs from contract terminations		(2)
Balance, June 30, 2021		391
Less: current	\$	(197)
		194
		2021
Balance, January 1, 2021	\$	380
Additions from provisioning		138
Revenue recognized for services provided		(121)
Write-offs from contract terminations		(6)
Balance, June 30, 2021		391
Less: current	\$	(197)
		194

d) Unsatisfied Performance Obligations

The aggregate amount of revenue allocated to performance obligations that are unsatisfied as of June 30, 2021 was \$48,897. 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.

4. 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:

	June 30	December 31
	2021	2020
Trade receivables	\$ 2,506	\$ 2,465
Loss allowances	(73)	(66)
Other	199	101
	\$ 2,632	\$ 2,500

TERAGO INC.
Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of Canadian dollars, except for per share amounts)

5. 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, 2021	\$ 127,403	\$ 12,131	\$ 5,079	\$ 2,323	\$ 3,070	\$ 49	\$ 35,954	\$ 186,009
Additions	3,981	488	64	5	3	-	244	4,785
Disposals	(359)	(1)	-	-	-	-	(111)	(471)
Reclassifications / Adjustments	(3)	2	-	-	-	-	1,827	1,826
Impairment	(438)	-	-	-	-	-	-	(438)
Balance, June 30, 2021	\$ 130,584	\$ 12,620	\$ 5,143	\$ 2,328	\$ 3,073	\$ 49	\$ 37,914	\$ 191,711
Accumulated Depreciation								
Balance, January 1, 2021	\$ 104,002	\$ 4,884	\$ 4,974	\$ 2,305	\$ 2,452	\$ 49	\$ 10,694	\$ 129,360
Depreciation for the period	3,045	461	30	11	153	-	2,816	6,516
Disposals	(249)	-	-	-	-	-	(107)	(356)
Reclassifications / Adjustments	(1)	1	-	-	-	-	-	-
Impairment	(219)	-	-	-	-	-	-	(219)
Balance, June 30, 2021	\$ 106,578	\$ 5,346	\$ 5,004	\$ 2,316	\$ 2,605	\$ 49	\$ 13,403	\$ 135,301
Net Book Value, June 30, 2021	\$ 24,006	\$ 7,274	\$ 139	\$ 12	\$ 468	\$ -	\$ 24,511	\$ 56,410

During the three and six months ended June 30, 2021, the Company disposed of assets with net book value of \$117 (Cost of \$437 less accumulated depreciation of \$336, \$16 of which was recognized against lease liabilities) and \$123 (Cost of \$471 less accumulated depreciation of \$356, \$8 of which was recognized against lease liabilities) respectively, which primarily represents replaced assets and obsolete assets disposed of for negligible value. The corresponding loss on disposal of \$117 and \$123 for the three and six months ended June 30, 2021 is included in other operating expenses (2020 - \$63 and \$126, respectively).

Impairment of Property, Plant, and Equipment

As a result of the loss of certain customers and customer locations in primarily connectivity offerings during the three months and six months ended June 30, 2021, the Company determined that certain network assets were not recoverable. As a result, the assets were written down to their recoverable amount and an impairment charge of \$66 (Cost of \$106 less accumulated depreciation of \$40) and \$219 (Cost of \$438 less accumulated depreciation of \$219) respectively, was recorded in other operating expenses on the statement of comprehensive loss in the period (2020 - \$104 and \$172, respectively).

TERAGO INC.
Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of Canadian dollars, except for per share amounts)

6. Intangible Assets and Goodwill

Cost	Radio spectrum licenses	Computer Software	Customer relationships	Other	Total Intangibles	Goodwill	Total Intangibles and Goodwill
Balance, January 1, 2021	\$ 12,649	\$ 9,868	\$ 18,021	\$ 4,831	\$ 45,369	\$ 19,419	\$ 64,788
Additions	-	-	-	-	-	-	-
Disposals / Adjustments	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Balance, June 30, 2021	\$ 12,649	\$ 9,868	\$ 18,021	\$ 4,831	\$ 45,369	\$ 19,419	\$ 64,788
Accumulated Depreciation							
Balance, January 1, 2021	\$ 2,371	\$ 9,800	\$ 13,022	\$ 3,079	\$ 28,272	\$ -	\$ 28,272
Amortization for the period	-	50	600	62	712	-	712
Impairment	-	-	-	-	-	-	-
Balance, June 30, 2021	\$ 2,371	\$ 9,850	\$ 13,622	\$ 3,141	\$ 28,984	\$ -	\$ 28,984
Net Book Value, June 30, 2021	\$ 10,278	\$ 18	\$ 4,399	\$ 1,690	\$ 16,385	\$ 19,419	\$ 35,804

7. Long-term Debt

	June 30 2021	December 31 2020
Term debt facility	\$ 22,266	\$ 28,405
less: financing fees	(259)	(261)
	22,007	28,144
less: current portion	(2,250)	(3,000)
	\$ 19,757	\$ 25,144

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.

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements**
(In thousands of Canadian dollars, except for per share amounts)

In June 2021, the Company entered into an amending agreement with the syndicate led by RBC to extend the term of the Company's credit facility to June 30, 2023.

The total \$35,000 facility that matures June 30, 2023 is made up of the following:

- \$5,000 revolving facility which bears interest at prime plus a margin percent. As of June 30, 2021, \$nil was drawn and outstanding on the revolving facility (2020 - \$nil). Letters of credit issued under the facility totaled \$625 as of June 30, 2021 (December 31, 2020 - \$625).
- \$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 \$563. This facility was fully drawn upon signing the amended and restated credit agreement.

At June 30, 2021, \$22,400 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. The effective interest rate on the Company's long-term debt on June 30, 2021 was 4.16%.

During the three and six months ended June 30, 2021, the Company incurred \$85 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 as at June 30, 2021. 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.

8. 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, data centre 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 5 of these Interim Condensed Consolidated Financial Statements.

b) Lease Liability

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

	<u>2021</u>
Lease liabilities, March 31, 2021	\$ 28,082
Additions	99
Terminations	-
Interest on lease liabilities	637
Modifications	629
Lease payments	<u>(2,016)</u>
Lease liabilities – June 30, 2021	27,431
less: current portion	<u>(7,628)</u>
	\$ 19,803

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements**
(In thousands of Canadian dollars, except for per share amounts)

		2021
Lease liabilities, January 1, 2021	\$	28,015
Additions		244
Terminations		(8)
Interest on lease liabilities		1,279
Modifications		1,823
Lease payments		(3,922)
Lease liabilities – June 30, 2021		27,431
less: current portion		(7,628)
	\$	<u>19,803</u>

9. Other Long-Term Assets/Liabilities**(a) Other long-term assets**

	June 30	December 31
	2021	2020
Contract asset	\$ 75	120
	75	120
less: current portion	(63)	(79)
	\$ 12	\$ 41

10. Stock-Based Compensation**(a) Stock Options**

For the three and six months ended June 30, 2021, the Company granted nil and 139 stock options, respectively, to certain key executives (2020 – nil and 135, respectively).

For the three and six months ended June 30, 2021, the Company recorded stock-based compensation related to stock options of \$117 and \$225, respectively (2020 - \$149 and \$270, respectively).

A summary of the change in the Company's stock option plan as at June 30, 2021 is presented below.

	2021	
	Number of	Weighted
	Options	Average
		Exercise Price
Outstanding - January 1	389	\$7.73
Granted	139	\$6.61
Exercised	(6)	\$4.40
Forfeited / Expired	-	-
Outstanding – June 30	522	\$7.46
Exercisable	180	\$7.62

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements**
(In thousands of Canadian dollars, except for per share amounts)

(b) Restricted Share Units (RSUs)

For the three and six months ended June 30, 2021, the Company granted 20 and 46 RSUs, respectively, to certain key executives (2020 – nil and 46, respectively).

For the three and six months ended June 30, 2021, the Company recorded compensation expense of \$44 and \$109, respectively, related to the RSUs granted (2020 - \$177 and \$365, respectively). The Company issued nil and net 43 common shares, respectively, to the holders of RSUs that vested in the period after a deduction of 20 common shares in lieu of payment of required taxes (2020 – 21 and net 49 after deduction of 33 common shares, respectively).

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

	June 30
	2021
Opening Balance, January 1, 2021	110
Granted	46
Forfeited	-
Vested	(64)
Ending Balance, June 30, 2021	92

(c) Performance Based Share Units (PSUs)

For the three and six months ended June 30, 2021, the Company granted nil and 61 PSUs, respectively, to certain key executives (2020 – nil and 46, respectively).

For the three and six months ended June 30, 2021, the Company recorded compensation expense of \$4 and \$6, respectively, related to the PSUs granted (2020 – \$7 and \$7, respectively).

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

	June 30
	2021
Opening Balance, January 1, 2021	28
Granted	61
Vested	-
Forfeited / Expired	(25)
Ending Balance, June 30, 2021	64

(d) Stock-Based Compensation Summary

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

	Three months ended		Six months ended	
	June 30		June 30	
	2021	2020	2021	2020
Restricted share units	\$ 44	177	\$ 109	365
Performance-based share units	4	7	6	7
Stock options	118	149	226	270
Directors' fees	84	84	138	122
	\$ 250	417	\$ 479	764

TERAGO INC.
Notes to the Interim Condensed Consolidated Financial Statements
(In thousands of Canadian dollars, except for per share amounts)

11. Loss Per Share

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

	Three months ended June 30		Six months ended June 30	
	2021	2020	2021	2020
Numerator for basic and diluted loss per share:				
Net loss for the period	\$ (1,796)	(656)	\$ (3,962)	(2,859)
Denominator for basic and diluted loss per share:				
Basic weighted average number of shares outstanding	19,618	16,670	18,204	16,652
Effect of stock options, RSUs and PSUs	-	-	-	-
Diluted weighted average number of shares outstanding	19,618	16,670	18,204	16,652
Loss per share:				
Basic	\$ (0.09)	(0.04)	\$ (0.22)	(0.17)
Diluted	\$ (0.09)	(0.04)	\$ (0.22)	(0.17)

Due to the loss for the three and six months ended June 30, 2021, the impact of all the options, RSUs, and PSUs totaling 672 and 624, respectively (2020 – 632 and 574), were excluded in the calculation of diluted loss per share because they were antidilutive.

12. Fair value of financial instruments

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

a) Classification and fair values

	Carrying Amount		Fair Value (Level 2)	
	June 30 2021	December 31 2020	June 30 2021	December 31 2020
Financial Liabilities				
Long-term debt (Note 7)	22,007	28,144	22,007	28,144

TERAGO INC.**Notes to the Interim Condensed Consolidated Financial Statements**
(In thousands of Canadian dollars, except for per share amounts)

b) Credit risk

As a result of the recent major changes in market conditions as a result of COVID-19, 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 2020 Consolidated Financial Statements. The Company will continue to monitor and re-evaluate this risk for the COVID-19 pandemic and its associated impacts on an ongoing basis. During the six months ended June 30, 2021, the movement in the credit loss allowance in respect of trade receivables was as follows:

	June 30
	2021
Opening Balance, January 1, 2021	66
Amounts written off	(46)
Remeasurement of loss allowance	53
Ending Balance, June 30, 2021	73

c) Liquidity Risk

As a result of the recent major changes in market conditions as a result of COVID-19, 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 2019 Consolidated Financial Statements. The Company will continue to monitor and re-evaluate this risk for the COVID-19 pandemic and its associated impacts on an ongoing basis.

As of June 30, 2021, the Company had cash and cash equivalents of \$9,860. The Company also has access to \$4,375 undrawn portion of its \$35,000 credit facilities after consideration of outstanding letters of credit and current drawings.

d) Interest Rate Risk

As a result of the recent modification of the Company's credit facility (see Note 7), 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. A 1% change in interest rate would have increase (decreased) quarterly interest by \$56.

13. Government Grants

The Company determined it was eligible for both the Canadian Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") based on criteria prescribed by the Government of Canada. During the three and six months ended June 30, 2021, the Company recorded \$242 and \$327 related to the CEWS program, respectively. During the three and six months ended June 30, 2021, the Company recorded \$nil and \$73 related to the CERS program, respectively. Amounts received related to the CEWS have been recorded as a reduction in salaries and related costs and amounts received under the CERS program have been recorded as a reduction in other operating expenses.

14. Share Capital

On April 21, 2021, the Company completed a private placement with certain institutional investors, including Cymbria Corporation. The Company issued and sold an aggregate of 934 Series A Units, 934 Series B Units and 934 Series C Units of the Company at a subscription price of \$5.25 per Unit, for gross proceeds of \$14,711. Each Unit is comprised of one common share and one-half (½) of a Series A, B or C Warrant (each a "Warrant"). Each whole series A, B, C Warrant entitles the holder to purchase one common share at prices of \$7.00, \$7.50, and \$8.00, respectively. In total, the Company issued 2,802 Common Shares, 467 Series A Warrants, 467 Series B Warrants, and 467 Series C Warrants.

On April 21, 2021, the fair value of the warrants was determined using the Black Scholes method. On the date of issuance, the warrants have a fair value of \$743, the common shares are valued \$13,812 and the total is \$14,555. These amounts are disclosed in the Interim Condensed Consolidated Statements of Changes in Equity.