TERAGO INC.
Condensed Consolidated Financial Statements
Three months ended March 31, 2015 and 2014
(unaudited)

Contents

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

		March 31 2015		December 31 2014
Assets				
Cash and cash equivalents (Note 5 (a))	$	2,579	$	2,866
Accounts receivable (Note 5 (b))		4,659		2,908
Prepaid expenses and other assets		3,295		2,431
Total current assets		10,533		8,205
Network assets, property and equipment (Note 6)		51,454		41,774
Intangible assets (Note 7)		23,881		10,153
Deferred income taxes (Note 12)		700		2,700
Restricted cash (Note 8)		821		821
Goodwill (Note 7)		17,864		5,908
Total non-current assets		94,720		61,356
Total Assets	$	105,253	$	69,561
Liabilities				
Accounts payable and accrued liabilities	$	8,468	$	7,401
Current portion of deferred revenue		809		236
Current portion of long-term debt (Note 9)		5,305		2,301
Current portion of other long-term liabilities (Note 10)		144		109
Total current liabilities		14,726		10,047
Decommissioning and restoration obligations		225		222
Deferred revenue		106		113
Long-term debt (Note 9)		44,563		16,493
Other long-term liabilities (Note 10)		1,495		1,273
Total non-current liabilities		46,389		18,101
Total Liabilities		61,115		28,148
Shareholders' Equity				
Share capital		75,071		72,470
Contributed surplus		25,102		24,962
Deficit		(56,035)		(56,019)
Total shareholders' equity		44,138		41,413
Total Liabilities and Shareholders' Equity	$	105,253	$	69,561

On behalf of the Board:

"Charles Allen"
Director

"Grant Ballantyne"
Director

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

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

	Three months ended March 31 2015	Three months ended March 31 2014
Revenue		
Total Revenue	$ 12,236	$ 12,874
Expenses		
Cost of services	2,581	2,573
Salaries and related costs	4,729	5,690
Other operating expenses	2,085	2,083
Amortization of intangible assets (Note 7)	664	712
Depreciation of network assets, property and equipment (Note 6)	2,673	2,576
	12,732	13,634
Loss from operations	(496)	(760)
Foreign exchange loss	(113)	(33)
Finance costs	(450)	(319)
Finance income	4	19
Loss before income tax	$ (1,055)	$ (1,093)
Income tax recovery (Note 12)	1,039	-
Net loss and comprehensive loss	$ (16)	$ (1,093)
Deficit, beginning of period	(56,019)	(52,092)
Deficit, end of period	$ (56,035)	$ (53,185)
Basic loss per share (Note 13)	$ (0.00)	$ (0.10)
Diluted loss per share (Note 13)	$ (0.00)	$ (0.10)
Basic weighted average number of shares outstanding	11,734	11,490
Diluted weighted average number of shares outstanding	11,734	11,490

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

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

	Three months ended March 31 2015	Three months ended March 31 2014
Cash provided by (used in)		
Operating Activities		
Net loss	$ (16)	$ (1,093)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of network assets, property and equipment (Note 6)	2,673	2,576
Amortization of intangible assets (Note 7)	664	712
Stock-based compensation expense (Note 11(d))	338	751
Finance costs	450	319
Finance income	(4)	(19)
Income tax recovery	(1,039)	-
(Gain) loss on adjustments and disposal of network assets	(16)	12
Changes in non-cash working capital items:		
Accounts receivable	26	(12)
Prepaid expenses and other assets	101	(624)
Accounts payable and accrued liabilities	(935)	172
Deferred revenue	(51)	(143)
Other long-term liabilities	-	(201)
Cash from Operating Activities	2,191	2,450
Investing Activities		
Acquisition of RackForce Networks Inc. - net of cash acquired (Note 4)	(30,942)	-
Purchase of network assets, property and equipment (Note 6)	(2,068)	(4,011)
Purchase of intangible assets (Note 7)	(272)	(319)
Change in non-cash working capital related to network assets, property and equipment, and intangible assets	(148)	1,137
Purchase of short-term investments	-	(274)
Sale of short-term investments	-	664
Cash used in Investing Activities	(33,430)	(2,803)
Financing Activities		
Proceeds from issuance of share capital	112	304
Interest paid	(212)	(316)
Interest received	4	8
Proceeds from long term debt (Note 9)	31,500	557
Repayment of long-term debt	(73)	(1,458)
Financing costs incurred (Note 9)	(379)	-
Repayment of finance lease obligations	-	(1)
Cash from Financing Activities	30,952	(906)
Net change in cash and cash equivalents, during the period	(287)	(1,259)
Cash and cash equivalents, beginning of period	2,866	2,137
Cash and cash equivalents, end of period	$ 2,579	$ 878
Supplemental cash flow disclosure:		
Issuance of commons shares in acquisition of RackForce Networks Inc. (Note 4)	$ 2,351	$ -

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

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

	Share Capital Number	Share Capital Amount	Contributed Surplus	Deficit	Total
Balance, January 1, 2015	11,698	$ 72,470	$ 24,962	$ (56,019)	$ 41,413
Issuance of shares upon exercise of options	36	142	-	-	142
Stock-based compensation	-	-	140	-	140
Issuance of shares for directors' fees	14	108	-	-	108
Issuance of shares for RackForce acquisition (Note 4)	329	2,351	-	-	2,351
Net loss and comprehensive loss	-	-	-	(16)	(16)
Balance, March 31, 2015	12,077	$ 75,071	$ 25,102	$ (56,035)	$ 44,138

	Share Capital Number	Share Capital Amount	Contributed Surplus	Deficit	Total
Balance, January 1, 2014	11,459	$ 71,461	$ 24,157	$ (52,092)	$ 43,526
Issuance of shares upon exercise of options	84	322	(18)	-	304
Stock-based compensation	-	-	112	-	112
Issuance of shares for directors' fees	10	52	-	-	52
Net loss and comprehensive loss	-	-	-	(1,093)	(1,093)
Balance, March 31, 2014	11,553	$ 71,835	$ 24,251	$ (53,185)	$ 42,901

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

1. Reporting Entity

TeraGo Inc. (the "Company)" is a leading broadband communications and data center service provider to businesses in Canada. The Company is located in Canada and the address of its registered office is 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, data center and cloud facilities in Canada targeting small to medium-sized businesses that require broadband internet, data connectivity, voice, cloud and data center services. The Company's common shares are listed on the Toronto Stock Exchange (TSX) under the symbol TGO.

2. Basis of Preparation and Presentation

(a) Basis of preparation

These unaudited condensed interim consolidated financial statements ("interim financial statements") were prepared using the same accounting policies and methods as those used in the Company's consolidated financial statements for the year ended December 31, 2014 (the "2014 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 2014 Consolidated Financial Statements. These interim financial statements should be read in conjunction with the Company's 2014 Consolidated Financial Statements.

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

The policies applied in these interim financial statements are based on IFRS issued and outstanding as at March 31, 2015. The Board of Directors authorized the interim financial statements for issue on May 13, 2015.

These interim financial statements include the accounts of TeraGo Inc. and its wholly-owned subsidiaries, TeraGo Networks Inc. and Rackforce Networks Inc. (collectively the "Company"). The notes presented in these interim financial statements include only significant changes and transactions that have occurred since the last fiscal year end.

During the preparation of the consolidated financial statements, the Company determined that certain operating expenses associated with its Data Centers should be reclassified to conform with the financial statement presentation to be adopted following the acquisition of RackForce Networks Inc. For the three months ended March 31, 2014, cost of services have decreased by $301, other operating expenses have decreased by $56 and salaries and related costs have increased by $357 for certain immaterial reclassifications of operating expenses.

(b) Functional and Presentation Currency

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

3. Significant Accounting Policies and Upcoming Accounting Pronouncements Not Yet Adopted

(a) Significant Accounting Policies

These interim financial statements were prepared using the same accounting policies and methods as those used in the 2014 Consolidated Financial Statements.

(b) Upcoming Accounting Pronouncements Not Yet Adopted

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets, which explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue. The Company intends to adopt the amendments to IAS 16 and IAS 38 in its financial statements for the annual period beginning on January 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 which supersedes existing standards and interpretations including IAS 18, Revenue and IFRIC 13, Customer Loyalty Programmes. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

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

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

The standard is currently effective for annual periods beginning on or after January 1, 2017, although the IASB has recently proposed to defer the effective date to January 1, 2018. The Company is assessing the impact of this standard on the consolidated financial statements.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS 39, Financial Instruments: recognition and measurement ("IAS 39") standard. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is assessing the impact of this standard on the consolidated financial statements.

(In thousands, except for per share amounts)

4. Acquisition of RackForce Networks Inc.

On March 27, 2015, the Company closed a share purchase agreement to acquire 100% of the shares of RackForce Networks Inc. ("RackForce"). The acquisition supports TeraGo's strategic plan in offering complementary services to business and enterprise customers. RackForce is one of Canada's largest enterprise cloud service providers. Its business involves the management of enterprise cloud services including Cloud Hosting Services (IaaS) and Application Hosting Services (SaaS) with network. RackForce has been in operation since 2001 and currently serves a variety of enterprise customers, including Fortune 100 companies, governments and education clients. The acquisition includes RackForce's GigaCenter in Kelowna, British Columbia, which is a data center built to a Tier 3 standard with approximately 18,000 square feet of raised floor space and available power of up to 7 megawatts.

On closing, the Company transferred $33,351 (consisting of $31,000 cash and issuance of $2,351 common shares of the Company) with payment of cash and shares of $24,132 to the vendors on the closing date of March 27, 2015 and cash of $9,219 paid in escrow for settlement of the remaining balance. The amounts paid in escrow will be settled over the following time period: a) $300 payable in June 2015 subject to certain purchase price adjustments; b) $8,919 payable in March 2017. The purchase consideration is subject to a working capital adjustment to be finalized within 90 days of closing. Based on the preliminary net working capital at the date of acquisition, the Company has estimated a reduction in the purchase consideration and recorded a receivable of $360 at March 31, 2015 for repayments of amounts held in escrow.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations, with the results of operations consolidated with those of the Company effective March 28, 2015. The incremental revenue and net loss for the four days of activity from the close of acquisition to March 31, 2015 is immaterial. If the acquisition had occurred on January 1, 2015, consolidated revenue of the Company for the three months ended March 31, 2015 would have been $14,797 and loss from operations for the period would have been ($973). The total acquisition related costs were $256 and are included in other operating expenses for the three months ended March 31, 2015.

The preliminary fair values of the assets acquired and liabilities assumed in the acquisition at March 27, 2015 are as follows:

Cash	$ 58
Net Working Capital	(373)
Network Assets, Property and Equipment	10,269
Identifiable Intangible Assets	
Customer Relationships	11,170
Brand	2,460
Non-Competition Agreements	490
Deferred tax liability	(3,039)
Goodwill	11,956
	$32,991

Goodwill represents the expected operational synergies with the acquiree including intangible assets that do not qualify for separate recognition. The goodwill is not tax deductible.

The customer relationships are being amortized over a period of 10 years, brand is being amortized over a period of 20 years and the non-competition agreements are being amortized over a period of 3 years.

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.

(In thousands, except for per share amounts)

(b) Accounts receivable

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

		March 31 2015		December 31 2014
Trade receivables	$	3,854	$	2,451
Allowance for doubtful accounts		(26)		(19)
Other receivables		831		476
	$	4,659	$	2,908

At March 31, 2015, other receivables includes $360 for estimated reimbursement of amounts held in escrow related to the RackForce working capital adjustment (Note 4).

6. Network Assets, Property and Equipment

Cost		Network assets		Datacentre infrastructure		Computer equipment		Office furniture and equipment		Leasehold improvements		Vehicles		Total
Balance, January 1, 2015	$	110,485	$	1,663	$	2,105	$	2,194	$	1,460	$	49	$	117,956
Additions/ reclassifications		1,820		244		-		-		4		-		2,068
Acquisitions (Note 4)		-		10,219		2		12		36		-		10,269
Disposals/ Adjustments		24		(3)		-		-		-		-		21
Balance, March 31, 2015	**$**	**112,329**	**$**	**12,123**	**$**	**2,107**	**$**	**2,206**	**$**	**1,500**	**$**	**49**	**$**	**130,314**
Accumulated Depreciation														
Balance, January 1, 2015	$	71,233	$	195	$	1,950	$	2,094	$	662	$	48	$	76,182
Depreciation for the period		2,550		40		26		12		45		-		2,673
Disposals/ Adjustments		6		(1)		-		-		-		-		5
Balance, March 31, 2015	**$**	**73,789**	**$**	**234**	**$**	**1,976**	**$**	**2,106**	**$**	**707**	**$**	**48**	**$**	**78,860**
Net Book Value, March 31, 2015	**$**	**38,540**	**$**	**11,889**	**$**	**131**	**$**	**100**	**$**	**793**	**$**	**1**	**$**	**51,454**

7. Intangibles Assets and Goodwill

Cost		Radio spectrum licenses		Computer Software		Customer relationships		Other		Total Intangibles		Goodwill		Total Intangibles and Goodwill
Balance, January 1, 2015	$	7,041	$	7,668	$	6,180	$	1,856	$	22,745	$	5,908	$	28,653
Additions		-		272		-		-		272		-		272
Acquisitions (Note 4)		-		-		11,170		2,950		14,120		11,956		26,076
Balance, March 31, 2015	**$**	**7,041**	**$**	**7,940**	**$**	**17,350**	**$**	**4,806**	**$**	**37,137**	**$**	**17,864**	**$**	**55,001**
Accumulated Amortization														
Balance, January 1, 2015	$	2,371	$	6,157	$	3,293	$	771	$	12,592	$	-	$	12,592
Amortization for the period				262		309		93		664		-		664
Balance, March 31, 2015	**$**	**2,371**	**$**	**6,419**	**$**	**3,602**	**$**	**864**	**$**	**13,256**	**$**	**-**	**$**	**13,256**
Net Book Value, March 31, 2015	**$**	**4,670**	**$**	**1,521**	**$**	**13,748**	**$**	**3,942**	**$**	**23,881**	$	**17,864**	**$**	**41,745**

8. Restricted Cash

On June 18, 2007, two former officers exchanged 287 and 63 options respectively to purchase Common Shares, at an exercise price of $4 per share with options to purchase 189 and 41 Common Shares, respectively, at $0 exercise price. The exchanged options had a value equal to the original options on the date of the exchange. On June 18, 2007, these options were exercised to facilitate Common Share ownership and as a result, the two officers received 189 and 41

(In thousands, except for per share amounts)

Common Shares, respectively, pursuant to such exercise. The Company provided the officers with an indemnity with a combined maximum coverage of $1,000 to cover any potential negative personal tax consequences that might arise as a result of the early exercise of these options. Under the indemnity agreement, which expires June 2015, the restricted cash is segregated for the period of the indemnity and is invested in a guaranteed investment certificate.

In 2009, the Company received notice of a claim from one of the former officers against the restricted cash balance relating to the sale of the 41 Common Shares. The notice of claim was settled in 2010 for $179.

In 2014, the Company received a notice of a claim against the tax indemnity from the other former officer relating to the sale of 189 Common Shares. The Company estimated the cost of the indemnity to be paid from the $821 maximum allocated to the former officer and recorded stock-based compensation expense of $630 related to this claim in the first quarter of 2014. As at March 31, 2015, $821 is held as restricted cash and $630 is recorded in accounts payable and accrued liabilities. Subsequent to March 31, 2015, the Company paid the former officer $649 towards the cost of the indemnity. Final settlement of the indemnity is expected by June 2015.

9. Long-term Debt

		March 31 2015		December 31 2014
Term debt facility (a)	$	49,846	$	18,351
Equipment loans (b)		659		732
less: financing fees		(637)		(289)
		49,868		18,794
less: current portion		(5,305)		(2,301)
	$	44,563	$	16,493

(a) 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 increases 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 are substantially consistent with the existing credit facilities.

The total $85,000 facility that matures June 30, 2018 is made up of the following:

- $10,000 revolving facility which bears interest at prime plus a margin percent. As of March 31 2015, $nil amounts are outstanding. Letters of credit outstanding under the facility totaled $655 as of March 31, 2015.

- $50,000 term facility which bears interest at prime or Banker’s Acceptance (at the Company’s option) plus a margin percent and is repayable in quarterly principal installments of $1,250 starting June 30, 2015. This facility was fully drawn at March 31, 2015, of which $31,500 was drawn during the three months ended March 31, 2015. On March 31, 2015, $49,900 of the term facility principal was in a Banker’s Acceptance for proceeds (after interest and stamping fee paid) of $49,746.The remaining $100 of the drawn term facility bears interest at prime plus a margin percent.

  On September 30, 2014, the Company entered into an interest rate swap contract that matures June 6, 2017 to fix the interest on $18,400 of the Banker’s Acceptance at 4.54% based on current debt ratio levels. The interest rate swap contract has not been designated as a hedge and will be marked-to-market each period. The fair value of the interest rate swap contract at March 31, 2015 was a liability of ($311) (December 31, 2014 – ($123)) and is recorded in other long-term liabilities (Note 10).

- $25,000 available for funding acquisitions and will bear interest at prime or Banker’s Acceptance (at the Company’s option) plus a margin percent and is repayable in quarterly principal installments of 2.5% of the aggregate amount outstanding. As of March 31, 2015, this facility remains undrawn.

  In connection with the amended agreement, the Company incurred financing fees of $379 which have been deferred and amortized using the effective interest method over the amended term of the facility. The balance of previously incurred financing fee is also amortized over the same amended term.

(In thousands, except for per share amounts)

The NBC facility is subject to certain financial and non-financial covenants which the Company is in compliance with at March 31, 2015. Under this facility, the Company is also subject to a cash flow sweep that could accelerate principal repayments based on a detailed calculation outlined by NBC not later than 120 days after the end of each fiscal year.

(b) Equipment loans
The Company has certain equipment loans with financing companies that are secured by the underlying equipment. These debt facilities, which bear interest at fixed rates ranging from 5.91% to 6.23% over the respective terms, have maturity dates between July 2016 and December 2017 and have total monthly installments of $28.

10. Other Long-Term Liabilities

		March 31 2015		December 31 2014
Performance-based Share Units (Note 11 (c))	$	127	$	97
Restricted Share Units (Note 11 (b))		257		196
Fair value of interest rate swap contract (Note 9 (a))		311		123
Lease inducement liability		368		381
Assumed liabilities - Vancouver Data Centre		576		585
		1,639		1,382
less: current portion		(144)		(109)
	$	1,495	$	1,273

11. Stock-Based Compensation

(a) Stock Options

For the three months ended March 31, 2015 and 2014, the Company recorded stock-based compensation related to stock options of $140 and $112, respectively.

A summary of the status of the Company's stock option plan as at March 31, 2015 is presented below.

	2015	
	Number of Options	Weighted Average Exercise Price
Outstanding - January 1, 2015	1,318	$7.03
Granted	-	-
Exercised	(36)	$3.95
Forfeited / Expired	(18)	$7.94
Outstanding – March 31, 2015	1,264	$7.11
Exercisable	937	$7.57

(b) Restricted Share Units (RSUs)
In 2014, the Company granted 150 RSUs to an officer of the Company. The share price at the date of grant was $5.35 and will be marked to market on a quarterly basis.

For the three months ended March 31, 2015 and March 31, 2014, the Company recorded compensation expense of $60 and $12, respectively, related to the RSUs granted. As of March 31, 2015, a liability of $257 (December 31, 2014 - $196) related to the RSUs granted is included in other long-term liabilities (Note 10).

(In thousands, except for per share amounts)

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

	March 31 2015
Opening Balance, January 1, 2015	150
Granted	-
Vested	-
Ending Balance, March 31, 2015	150

(c) Performance-Based Share Units (PSUs)

For the three months ended March 31, 2015, the Company granted 101 PSUs to certain key executives (2014 – 0).

For the three months ended March 31, 2015 and March 31, 2014, the Company recorded stock-based compensation expense (recovery) of $30 and $(55), respectively, related to the PSUs outstanding. As at March 31, 2015, a liability of $127 (December 31, 2014 - $97) related to the PSUs granted is included in the other long-term liabilities (Note 10).

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

	March 31 2015
Opening Balance, January 1, 2015	119
Granted	101
Exercised	-
Forfeited/ Expired	(20)
Ending Balance, March 31, 2015	200

(d) Stock-Based Compensation Summary

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

	Three months ended March 31 2015	Three months ended March 31 2014
Restricted share units	$ 60	$ 12
Performance-based share units	30	(55)
Stock options	140	112
Stock options – indemnity (Note 8)	-	630
Directors' fees paid in shares	108	52
	$ 338	$ 751

12. Income Taxes

During the three months ended March 31, 2015, management reviewed the tax implication of the acquisition of RackForce (Note 4). A tax benefit of $1,039 associated with previously unrecognized tax losses was recognized in the first quarter as management considered it probable that future taxable profits would be available against which they can be utilized. The deferred tax asset was determined based on existing laws, estimates of future probability based on financial forecasts and tax planning strategies.

(In thousands, except for per share amounts)

13. Loss Per Share

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

	Three months ended March 31	
	2015	**2014**
Numerator for basic and diluted earnings loss per share:		
Net loss for the period	$ (16)	$ (1,093)
Denominator for basic and diluted earnings per share:		
Basic weighted average number of shares outstanding	11,734	11,490
Effect of stock options, RSUs and PSUs	-	-
Diluted weighted average number of shares outstanding	11,734	11,490
Loss per share:		
Basic	$ (0.00)	$ (0.10)
Diluted	$ (0.00)	$ (0.10)

Due to the loss for the three months ended March 31, 2015, the impact of all options, RSUs and PSUs totaling 1,614 were excluded from the calculation of diluted earnings per share because they were antidilutive.

For the three months ended March 31, 2014, the impact of all options, RSUs and PSUs totaling 974 were excluded from the calculation of diluted earnings per share because they were antidilutive

14. Fair value of financial instruments

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. These methodologies are described in note 20 of the 2013 Consolidated Financial Statements.

The Company has classified its financial instruments as follows:

	March 31 2015		December 31 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:				
Cash and cash equivalents	$ 2,579	$ 2,579	$ 2,866	$ 2,866
Accounts receivable, measure at amortized cost	4,659	4,659	2,908	2,908
Restricted cash	821	821	821	821
Financial liabilities, measured at amortized cost:				
Accounts payable and accrued liabilities, measured at amortized cost	8,468	8,468	7,401	7,401
Fair value of interest rate swap contract	311	311	123	123
Long-term debt, measured at amortized cost	49,868	49,868	18,794	18,794

15. Related Party Transactions

The Company provides services to one customer whose Chairman and Director of the Board of Directors are both Directors of the Company. Revenue from this customer for the three months ended March 31, 2015 and 2014 was $17 and $16, respectively. Accounts receivable from this customer as at March 31 2015 was $5 (2014 - $4).

The terms governing these related party transactions are consistent with those negotiated on an arm's length basis with non-related parties.