TERAGO INC.
Condensed Consolidated Financial Statements
Three and nine months ended September 30, 2015 and 2014
(unaudited)

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Condensed Consolidated Financial Statements

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

	September 30 2015	December 31 2014
Assets		
Cash and cash equivalents (Note 6 (a))	$ 10,643	$ 2,866
Accounts receivable (Note 6 (b))	4,656	2,908
Prepaid expenses and other assets	3,173	2,431
Total current assets	18,472	8,205
Network assets, property and equipment (Note 7)	49,354	41,774
Intangible assets (Note 8)	22,586	10,153
Deferred income taxes	700	2,700
Restricted cash (Note 9)	361	821
Goodwill (Note 8)	19,073	5,908
Total non-current assets	92,074	61,356
Total Assets	$ 110,546	$ 69,561
Liabilities		
Accounts payable and accrued liabilities	$ 8,459	$ 7,401
Current portion of deferred revenue	442	236
Current portion of long-term debt (Note 10)	5,291	2,301
Current portion of other long-term liabilities (Note 11)	127	109
Total current liabilities	14,319	10,047
Decommissioning and restoration obligations	231	222
Deferred revenue	292	113
Long-term debt (Note 10)	41,763	16,493
Other long-term liabilities (Note 11)	2,100	1,273
Total non-current liabilities	44,386	18,101
Total Liabilities	58,705	28,148
Shareholders' Equity		
Share capital	85,141	72,470
Contributed surplus	25,343	24,962
Deficit	(58,643)	(56,019)
Total shareholders' equity	51,841	41,413
Total Liabilities and Shareholders' Equity	$ 110,546	$ 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 September 30 2015	Three months ended September 30 2014		Nine months ended September 30 2015	Nine months ended September 30 2014
Revenue						
Total Revenue	$	15,272	12,545	$	42,618	38,600
Expenses						
Cost of services		3,618	2,518		9,739	7,484
Salaries and related costs		4,982	4,312		15,880	15,730
Other operating expenses		2,371	2,276		7,395	6,680
Amortization of intangible assets (Note 8)		1,004	689		2,681	2,107
Depreciation of network assets, property and equipment (Note 7)		2,928	2,626		8,466	7,827
		14,903	12,421		44,161	39,828
Earnings (loss) from operations		369	124		(1,543)	(1,228)
Foreign exchange loss		(66)	(42)		(160)	(43)
Finance costs		(845)	(311)		(2,080)	(1,609)
Finance income		16	4		26	27
Loss before income taxes	$	(526)	(225)		(3,757)	(2,853)
Income tax recovery (Note 13)		94	-		1,133	-
Net loss and comprehensive loss	$	(432)	(225)	$	(2,624)	(2,853)
Deficit, beginning of period		(58,211)	(54,720)		(56,019)	(52,092)
Deficit, end of period	$	(58,643)	(54,945)	$	(58,643)	(54,945)
Basic loss per share (Note 14)	$	(0.03)	(0.02)	$	(0.22)	(0.25)
Diluted loss per share (Note 14)	$	(0.03)	(0.02)	$	(0.22)	(0.25)
Basic weighted average number of shares outstanding		13,966	11,620		12,201	11,534
Diluted weighted average number of shares outstanding		13,966	11,620		12,201	11,534

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 September 30			Nine months ended September 30	
		2015	2014		2015	2014
Operating Activities						
Net loss	$	(432)	(225)	$	(2,624)	(2,853)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:						
Depreciation of network assets, property and equipment (Note 7)		2,928	2,626		8,466	7,827
Amortization of intangible assets (Note 8)		1,004	689		2,681	2,107
Stock-based compensation expense (Note 12(d))		336	370		1,006	1,599
Finance costs		845	311		2,080	1,609
Finance income		(16)	(4)		(26)	(27)
Income tax recovery (Note 13)		(94)	-		(1,133)	-
Loss on adjustments and disposal of network assets (Note 7)		44	174		131	549
Changes in non-cash working capital items:						
Accounts receivable		(15)	730		(19)	55
Prepaid expenses and other assets		371	365		219	(120)
Accounts payable and accrued liabilities		(834)	(92)		(75)	(227)
Deferred revenue		(13)	(330)		(232)	(578)
Other long-term liabilities		-	(4)		-	(209)
Cash from Operating Activities		4,124	4,610		10,474	9,723
Investing Activities						
Acquisition of Rack Force Network Inc.- net of cash acquired (Note 4(a))		-	-		(31,000)	-
Acquisition of BoxFabric - net of cash acquired (Note 4(b))		(910)	-		(910)	-
Increase in restricted cash (Note 9(b))		(190)	-		(190)	-
Purchase of network assets, property and equipment (Note 7)		(1,525)	(3,442)		(6,307)	(9,565)
Purchase of intangible assets (Note 8)		(29)	(115)		(638)	(544)
Change in non-cash working capital related to network assets, property and equipment, and intangible assets		(1,169)	874		(737)	609
Purchase of short-term investments		-	-		-	(274)
Sale of short-term investments		-	-		-	664
Cash used in Investing Activities		(3,823)	(2,683)		(39,782)	(9,110)
Financing Activities						
Proceeds from exercise of stock options		470	155		827	638
Proceeds from equity offering (Note 5)		-	-		10,004	-
Equity offering costs incurred (Note 5)		-	-		(794)	-
Interest paid		(581)	(313)		(1,374)	(1,217)
Interest received		16	-		25	8
Proceeds from long term debt (Note 10)		-	-		31,500	21,557
Repayment of long-term debt (Note 10)		(1,326)	(547)		(2,724)	(19,832)
Financing costs incurred (Note 10)		-	(6)		(379)	(680)
Repayment of finance lease obligations		-	-		-	(1)
Cash from Financing Activities		(1,421)	(711)		37,085	473
Net change in cash and cash equivalents, during the period		(1,120)	1,216		7,777	1,095
Cash and cash equivalents, beginning of period		11,763	2,016		2,866	2,137
Cash and cash equivalents, end of period	$	10,643	3,232	$	10,643	3,232
Supplemental cash flow disclosure:						
Issuance of common shares in acquisition of RackForce Networks Inc. (Note 4(a))	$	-	-	$	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		Contributed		
	Number	Amount	Surplus	Deficit	Total
Balance, January 1, 2015	11,698	$ 72,470	$ 24,962	$ (56,019)	$ 41,413
Issuance of shares upon exercise of options	185	827	-	-	827
Stock-based compensation (Note 12(a))	-	-	381	-	381
Issuance of shares for directors' fees	47	283	-	-	283
Issuance of shares for RackForce acquisition (Note 4(a))	329	2,351	-	-	2,351
Issuance of shares for equity offering - net of issuance costs (Note 5)	1,755	9,210	-	-	9,210
Net loss and comprehensive loss	-	-	-	(2,624)	(2,624)
Balance, September 30, 2015	14,014	$ 85,141	$ 25,343	$ (58,643)	$ 51,841

	Share Capital		Contributed		
	Number	Amount	Surplus	Deficit	Total
Balance, January 1, 2014	11,459	$ 71,461	$ 24,157	$ (52,092)	$ 43,526
Issuance of shares upon exercise of options	170	669	(31)	-	638
Stock-based compensation (Note 12(a))	-	-	658	-	658
Issuance of shares for directors' fees	38	182	-	-	182
Net loss and comprehensive loss	-	-	-	(2,853)	(2,853)
Balance, September 30, 2014	11,667	$ 72,312	$ 24,784	$ (54,945)	$ 42,151

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

1. Reporting Entity

TeraGo Inc. (the "Company)" provides businesses across Canada and globally with network and voice services, data centre services and enterprise infrastructure cloud services. The Company 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 data centre facilities in Canada targeting enterprise customers that require broadband internet, data connectivity, voice, cloud and data centre 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 September 30, 2015. The Board of Directors authorized the interim financial statements for issue on November 12, 2015.

These interim financial statements include the accounts of TeraGo Inc. and its wholly-owned subsidiaries, TeraGo Networks Inc., RackForce Networks Inc. and Codeninja Ltd. (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 Centres should be reclassified to conform with the financial statement presentation adopted following the acquisition of RackForce Networks Inc. For the three months ended September 30, 2014, cost of services have decreased by $487, other operating expenses have increased by $182 and salaries and related costs have increased by $305 for certain immaterial reclassifications of operating expenses. For the nine months ended September 30, 2014, cost of services have decreased by $1,485, other operating expenses have increased by $470 and salaries and related costs have increased by $1,015 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, 2018. The Company is assessing the impact of this standard on the consolidated financial statements. The extent of the impact has not yet been determined.

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. The extent of the impact has not yet been determined.

(In thousands, except for per share amounts)

4. Acquisitions

(a) 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 GigaCentre in Kelowna, British Columbia, which is a data centre 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, subject to among other things a working capital adjustment to be finalized within 90 days of closing. Based on a review of the net working capital, the Company estimated a reduction in the purchase consideration of $898 resulting in a net purchase consideration of $32,453. During Q3 2015, the Company was repaid $219 from the escrow account and has a remaining estimated receivable of $678 at September 30, 2015.

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 total acquisition related costs were $656 and are included in other operating expenses for the nine months ended September 30, 2015.

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

Net Working Capital	$ (853)
Network Assets, Property and Equipment	9,824
Identifiable Intangible Assets	
Customer Relationships	11,170
Brand	2,460
Non-Competition Agreements	490
Deferred tax liability	(3,039)
Goodwill	12,401
	$32,453

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.

(b) Acquisition of BoxFabric

On September 18, 2015, the Company closed a share purchase agreement to acquire 100% of the shares of Codeninja Ltd., which operates as BoxFabric (“BoxFabric”) for consideration of $1,100.

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 September 18, 2015.

(In thousands, except for per share amounts)

The preliminary fair values of the assets acquired and liabilities assumed in the acquisition at September 18, 2015 are as follows:

Other Assets	$ 74
Identifiable Intangible Assets	356
Deferred tax liability	(94)
Goodwill	764
	$1,100

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 intangible assets are being amortized over a period of 2-10 years.

(c) Pro Forma Disclosures

Since the respective acquisition dates, the Company's acquisitions have contributed revenue of $6,052 and earnings from operations of $1,144. If the acquisitions had occurred on January 1, 2015, consolidated revenue of the Company for the nine months ended September 30, 2015 would have been $45,767 and loss from operations for the period would have been ($1,311).

5. Equity Offering

On June 11, 2015, the Company completed an equity offering to issue and sell 1,755 common shares for gross proceeds of $10,004 (the "Offering"). Proceeds net of commissions, legal, accounting and listing fees were $9,210. The Offering was carried out pursuant to an underwriting agreement with a syndicate of underwriters led by National Bank Financial Inc. and TD Securities Inc. and included Cormark Securities Inc., PI Financial Corp. and RBC Capital Markets.

6. Current Assets

Details of selected current asset balances are as follows:

(a) Cash and cash equivalents

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

(b) Accounts receivable

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

	September 30 2015	December 31 2014
Trade receivables	$ 3,680	$ 2,451
Allowance for doubtful accounts	(13)	(19)
Other	989	476
	$ 4,656	$ 2,908

At September 30, 2015, other receivables includes $678 for estimated reimbursement of amounts held in escrow related to the RackForce working capital adjustment (Note 4(a)).

(In thousands, except for per share amounts)

7. Network Assets, Property and Equipment

Cost	Network assets	Cloud and 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	4,958	1,270	-	5	74	-	6,307
Acquisitions (Note 4(a) and (b))	-	9,774	48	12	36	-	9,870
Disposals/ Adjustments	(555)	4	-	-	-	-	(551)
Balance, September 30, 2015	**$ 114,888**	**$ 12,711**	**$ 2,153**	**$ 2,211**	**$ 1,570**	**$ 49**	**$ 133,582**
Accumulated Depreciation							
Balance, January 1, 2015	$ 71,233	$ 195	$ 1,950	$ 2,094	$ 662	$ 48	$ 76,182
Depreciation for the period	7,735	441	117	31	141	1	8,466
Disposals/ Adjustments	(420)	-	-	-	-	-	(420)
Balance, September 30, 2015	**$ 78,548**	**$ 636**	**$ 2,067**	**$ 2,125**	**$ 803**	**$ 49**	**$ 84,228**
Net Book Value, September 30, 2015	**$ 36,340**	**$ 12,075**	**$ 86**	**$ 86**	**$ 767**	**$ -**	**$ 49,354**

8. 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	-	638	-	-	638	-	638
Acquisitions (Note 4 (a) and (b))	-	-	11,497	2,979	14,476	13,165	27,641
Balance, September 30, 2015	**$ 7,041**	**$ 8,306**	**$ 17,677**	**$ 4,835**	**$ 37,859**	**$ 19,073**	**$ 56,932**
Accumulated Amortization							
Balance, January 1, 2015	$ 2,371	$ 6,157	$ 3,293	$ 771	$ 12,592	$ -	$ 12,592
Amortization for the period	-	774	1,486	421	2,681	-	2,681
Balance, September 30, 2015	**$ 2,371**	**$ 6,931**	**$ 4,779**	**$ 1,192**	**$ 15,273**	**$ -**	**$ 15,273**
Net Book Value, September 30, 2015	**$ 4,670**	**$ 1,375**	**$ 12,898**	**$ 3,643**	**$ 22,586**	**$ 19,073**	**$ 41,659**

9. Restricted Cash

(a) Indemnity

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 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 in 2015 (if there are no outstanding claims), 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 and accrued liability of $630 related to this claim in the first quarter of 2014. During the nine months ended September 30, 2015, the Company made a payment to the former officer to settle the accrued balance. As at September 30, 2015, $171 is held as restricted cash and $nil is recorded in accounts payable and accrued liabilities. Final settlement of the indemnity is expected by the end of 2015.

(In thousands, except for per share amounts)

(b) Funds held in escrow

As at September 30, 2015, $190 is held in escrow by the Company pending finalization of working capital adjustments in the acquisition of BoxFabric (Note 4 (b)).

10. Long-term Debt

		September 30 2015		December 31 2014
Term debt facility (a)	$	47,078	$	18,351
Equipment loans (b)		508		732
less: financing fees		(532)		(289)
		47,054		18,794
less: current portion		(5,291)		(2,301)
	$	41,763	$	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 September 30, 2015, $nil amount are outstanding. Letters of credit outstanding under the facility totaled $655 as of September 30, 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 upon signing the amended agreement.

  On September 30, 2015, $47,300 of the term facility principal was in a Banker’s Acceptance and the remaining $200 is at a floating rate. 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. During the nine months ended September 30, 2015, the Company entered into amended interest rate swap contracts that mature June 29, 2018 to fix the interest rate on the Banker’s Acceptance at an average rate of 4.24%. 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 September 30, 2015 was a liability of ($689) (December 31, 2014 – ($123)) and is recorded in other long-term liabilities (Note 11), with a corresponding charge for the change in fair value recorded in finance costs.

  During Q3 2015, the Company prepaid interest in the amount of $422 which represents the net settlement of the Banker’s Acceptance.

- $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 September 30, 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 September 30, 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.

11. Other Long-Term Liabilities

	September 30 2015	December 31 2014
Performance based share units (Note 12 (c))	$ 256	$ 97
Restricted share units (Note 12 (b))	380	196
Fair value of interest rate swap contract (Note 10 (a))	689	123
Lease inducement liability	343	381
Assumed liabilities - Vancouver Data Centre	559	585
	2,227	1,382
less: current portion	(127)	(109)
	$ 2,100	$ 1,273

12. Stock-Based Compensation

(a) Stock Options

For the three and nine months ended September 30, 2015, the Company recorded stock-based compensation related to stock options of $120 and $381 (2014 - $228 and $658), respectively.

A summary of the status of the Company's stock option plan as at September 30, 2015 is presented below.

	2015	
	Number of Options	Weighted Average Exercise Price
Outstanding - January 1, 2015	1,318	$7.03
Granted	12	$6.25
Exercised	(185)	$4.47
Forfeited / Expired	(356)	$11.41
Outstanding - September 30, 2015	789	$5.64
Exercisable	532	$5.57

(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.

(In thousands, except for per share amounts)

For the three and nine months ended September 30, 2015, the Company recorded compensation expense of $62 and $183 (2014 - $57 and $135), respectively, related to the RSUs granted. As of September 30, 2015, a liability of $380 (December 31, 2014 - $196) related to the RSUs granted is included in other long-term liabilities (Note 11).

(c) Performance Based Share Units (PSUs)

For the three and nine months ended September 30, 2015, the Company granted nil and 152 PSUs (2014 – 20 and 118) to certain key executives.

For the three and nine months ended September 30, 2015, the Company recorded stock-based compensation expense of $71 and $159, respectively, related to the PSUs outstanding. For the three and nine months ended September 30, 2014, the Company recorded stock-based compensation expense (recovery) of $28 and $(6), respectively, related to the PSUs outstanding. As at September 30, 2015, a liability of $256 (December 31, 2014 - $97) related to the PSUs granted is included in the other long-term liabilities (Note 11).

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

	September 30 2015
Opening Balance, January 1, 2015	119
Granted	152
Exercised	-
Forfeited/ Expired	(20)
Ending Balance, September 30, 2015	251

(d) Stock-Based Compensation Summary

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

	Three months ended September 30 2015	Three months ended September 30 2014	Nine months ended September 30 2015	Nine months ended September 30 2014
Restricted share units	$ 62	$ 57	$ 183	$ 135
Performance based share units	71	28	159	(6)
Stock options	120	228	381	658
Stock option tax indemnity (Note 9)	-	-	-	630
Directors' fees paid in shares	83	57	283	182
	$ 336	$ 370	$ 1,006	$ 1,599

13. Income Taxes

During the three and nine months ended September 30, 2015, management reviewed the tax implications of the Company's acquisitions (Note 4). A tax benefit of $94 and $1,133, respectively, associated with previously unrecognized tax losses was recognized 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)

14. Loss Per Share

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

	Three months ended September 30 2015	Three months ended September 30 2014	Nine months ended September 30 2015	Nine months ended September 30 2014
Numerator for basic and diluted loss per share:				
Net loss for the period	$ (432)	$ (225)	$ (2,624)	$ (2,853)
Denominator for basic and diluted earnings per share:				
Basic weighted average number of shares outstanding	13,966	11,620	12,201	11,534
Effect of stock options, RSUs and PSUs	-	-	-	-
Diluted weighted average number of shares outstanding	13,966	11,620	12,201	11,534
Earnings (loss) per share:				
Basic	$ (0.03)	$ (0.02)	$ (0.22)	$ (0.25)
Diluted	$ (0.03)	$ (0.02)	$ (0.22)	$ (0.25)

Due to the loss for the three and nine months ended September 30, 2015, the impact of all options, RSUs and PSUs totaling 1,317 and 1,507, respectively, were excluded from the calculation of diluted earnings per share because they were antidilutive.

Due to the loss for the three and nine months ended September 30, 2014, the impact of all options, RSUs and PSUs totaling 1,240 and 1,146, respectively, were excluded from the calculation of diluted earnings per share because they were antidilutive.

15. 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 19 of the 2014 Consolidated Financial Statements.

The Company has classified its financial instruments as follows:

	September 30 2015		December 31 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Cash and cash equivalents	$ 10,643	$ 10,643	$ 2,866	$ 2,866
Accounts receivable	4,656	4,656	2,908	2,908
Restricted cash	361	361	821	821
Financial liabilities, measured at amortized cost:				
Accounts payable and accrued liabilities, measured at amortized cost	8,459	8,459	7,401	7,401
Fair value of interest rate swap contract	689	689	123	123
Long-term debt, measured at amortized cost	47,054	47,054	18,794	18,794

16. Related Party Transactions

Two Directors of the Company also serve as Chairman of the Board and a Director of a customer of the Company. Revenue from this customer for the three and nine months ended September 30, 2015 was $17 and $51 (2014 - $18 and $50), respectively. Accounts receivable from this customer as at September 30, 2015 was $5 (2014 - $2).

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