

TERAGO INC.
Condensed Consolidated Financial Statements
Three and six months ended June 30, 2016 and 2015
(unaudited)

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

	June 30 2016	December 31 2015
Assets		
Cash and cash equivalents (Note 5(a))	\$ 10,428	\$ 13,066
Accounts receivable (Note 5(b))	3,037	3,306
Prepaid expenses and other assets	3,237	3,351
Total current assets	<u>16,702</u>	<u>19,723</u>
Network assets, property and equipment (Note 6)	45,798	48,520
Intangible assets (Note 7)	20,693	21,824
Goodwill (Note 7)	19,566	19,063
Deferred income taxes	700	700
Restricted cash (Note 8)	172	172
Total non-current assets	<u>86,929</u>	<u>90,279</u>
Total Assets	<u>\$ 103,631</u>	<u>\$ 110,002</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 5,936	\$ 9,128
Current portion of deferred revenue	265	211
Current portion of long-term debt (Note 9)	5,199	6,123
Current portion of other long-term liabilities (Note 10)	211	186
Total current liabilities	<u>11,611</u>	<u>15,648</u>
Decommissioning and restoration obligations	226	234
Deferred revenue	319	270
Long-term debt (Note 9)	38,067	39,658
Other long-term liabilities (Note 10)	2,059	1,977
Total non-current liabilities	<u>40,671</u>	<u>42,139</u>
Total Liabilities	<u>52,282</u>	<u>57,787</u>
Shareholders' Equity		
Share capital	85,872	85,636
Contributed surplus	25,521	25,408
Deficit	(60,044)	(58,829)
Total shareholders' equity	<u>51,349</u>	<u>52,215</u>
Total Liabilities and Shareholders' Equity	<u>\$ 103,631</u>	<u>\$ 110,002</u>

On behalf of the Board:

(signed) "Jim Nikopoulos"

Director

(signed) "Gary Sherlock"

Director

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Revenue	\$ 14,784	15,110	\$ 29,713	27,346
Expenses				
Cost of services	3,358	3,540	6,827	6,121
Salaries and related costs	4,390	6,169	9,485	10,898
Other operating expenses	3,008	2,939	5,694	5,024
Depreciation of network assets, property and equipment (Note 6)	2,959	2,865	5,947	5,538
Amortization of intangible assets (Note 7)	930	1,013	1,929	1,677
	<u>14,645</u>	<u>16,526</u>	<u>29,882</u>	<u>29,258</u>
Income (loss) from operations	139	(1,416)	(169)	(1,912)
Foreign exchange gain (loss)	(12)	19	20	(94)
Finance costs	(512)	(785)	(1,062)	(1,235)
Finance income	1	6	7	10
Loss before income taxes	\$ (384)	(2,176)	\$ (1,204)	(3,231)
Income taxes				
Income tax recovery (expense)	(11)	-	(11)	1,039
Net loss and comprehensive loss	\$ (395)	(2,176)	\$ (1,215)	(2,192)
Deficit, beginning of period	\$ (59,649)	(56,035)	\$ (58,829)	(56,019)
Deficit, end of period	\$ (60,044)	(58,211)	\$ (60,044)	(58,211)
Basic loss per share (Note 12)	\$ (0.03)	(0.17)	\$ (0.09)	(0.18)
Diluted loss per share (Note 12)	\$ (0.03)	(0.17)	\$ (0.09)	(0.18)
Basic weighted average number of shares outstanding	14,159	12,476	14,147	12,134
Diluted weighted average number of shares outstanding	14,159	12,476	14,147	12,134

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

	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Operating Activities				
Net loss for the period	\$ (395)	(2,176)	\$ (1,215)	(2,192)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation of network assets, property and equipment (Note 6)	2,959	2,865	5,947	5,538
Amortization of intangible assets (Note 7)	930	1,013	1,929	1,677
Stock-based compensation expense (Note 11(d))	330	332	617	670
Finance costs	512	785	1,062	1,235
Finance income	(1)	(6)	(7)	(10)
Income tax expense (recovery)	11	-	11	(1,039)
Loss on adjustments and disposal of network assets (Note 6)	104	103	260	87
Changes in non-cash working capital items:				
Accounts receivable	641	66	269	92
Prepaid expenses	158	(245)	114	(144)
Accounts payable and accrued liabilities	(515)	1,590	(2,586)	655
Deferred revenue	(14)	(168)	103	(219)
Cash from Operating Activities	4,720	4,159	6,504	6,350
Investing Activities				
Acquisitions, net of cash acquired	(1,250)	(58)	(1,250)	(31,000)
Purchase of network assets, property and equipment (Note 6)	(1,687)	(2,714)	(3,348)	(4,782)
Purchase of intangible assets (Note 7)	(74)	(337)	(188)	(609)
Change in non-cash working capital related to network assets, property and equipment and intangible assets	(48)	580	(843)	432
Cash used in Investing Activities	(3,059)	(2,529)	(5,629)	(35,959)
Financing Activities				
Proceeds from exercise of stock options	37	245	57	357
Proceeds from equity offering	-	10,004	-	10,004
Equity offering costs	-	(794)	-	(794)
Interest paid	(432)	(581)	(913)	(793)
Interest received	-	5	-	9
Proceeds from long term debt (Note 9)	-	-	-	31,500
Repayment of long-term debt (Note 9)	(1,323)	(1,325)	(2,657)	(1,398)
Financing costs incurred (Note 9)	-	-	-	(379)
Cash from (used in) Financing Activities	(1,718)	7,554	(3,513)	38,506
Net change in cash and cash equivalents, during the period	(57)	9,184	(2,638)	8,897
Cash and cash equivalents, beginning of period	10,485	2,579	13,066	2,866
Cash and cash equivalents, end of period	\$ 10,428	11,763	\$ 10,428	11,763
Supplemental cash flow disclosure				
Issuance of common shares in acquisition of Rackforce Networks Inc.	\$ -	-	\$ -	2,351

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

	Share Capital		Contributed		Total
	Number	Amount	Surplus	Deficit	
Balance, January 1, 2016	14,133	\$ 85,636	\$ 25,408	\$ (58,829)	\$ 52,215
Issuance of shares upon exercise of options	15	57	-	-	57
Stock-based compensation	-	-	113	-	113
Issuance of shares for directors' fees	35	179	-	-	179
Net loss and comprehensive loss	-	-	-	(1,215)	(1,215)
Balance, June 30, 2016	14,183	\$ 85,872	\$ 25,521	\$ (60,044)	\$ 51,349

	Share Capital		Contributed		Total
	Number	Amount	Surplus	Deficit	
Balance, January 1, 2015	11,698	\$ 72,470	\$ 24,962	\$ (56,019)	\$ 41,413
Issuance of shares upon exercise of options	87	357	-	-	357
Stock-based compensation	-	-	261	-	261
Issuance of shares for directors' fees	31	200	-	-	200
Issuance of shares for RackForce acquisition	329	2,351	-	-	2,351
Issuance of shares for equity offering – net of issuance costs	1,755	9,210	-	-	9,210
Net loss and comprehensive loss	-	-	-	(2,192)	(2,192)
Balance, June 30, 2015	13,900	\$ 84,588	\$ 25,223	\$ (58,211)	\$ 51,600

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

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'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 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, 2015 (the "2015 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 2015 Consolidated Financial Statements. These interim financial statements should be read in conjunction with the Company's 2015 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 June 30, 2016. The Board of Directors authorized the interim financial statements for issue on August 11, 2016.

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.

(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 2015 Consolidated Financial Statements. The Company adopted the following new accounting standards and amendments effective January 1, 2016. These standards or amendments did not have a material impact on the interim financial statements.

- i) Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)
- ii) Amendments to IAS 1 Presentation of Financial Statements

(b) Upcoming Accounting Pronouncements Not Yet Adopted

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IFRS 15 Revenue from Contracts with Customers

On May 28 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 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 of IFRS 15 has not yet been determined.

IFRS 9 Financial Instruments

On 24 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.

IFRS 16 Leases

On January 23, 2016, the IASB issued the final publication of the IFRS 16 standard, which will supersede the current IAS 17, Leases standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the statement of financial position at inception.

The accounting treatment for lessors will remain largely the same as under IAS 17. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The extent of the impact of the adoption of this standard has not yet been determined.

4. Acquisitions

On May 26, 2016, the Company closed an asset purchase agreement to acquire the Hosting Business of Ottawa-based AirVM Inc. The acquisition brings expanded Infrastructure as a Service (IaaS) offerings to TeraGo from locations in the United States and the United Kingdom and will facilitate the Company's growth in the IaaS cloud business through the addition of new international channel partners.

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 from the acquisition date. In connection with the acquisition, the Company recorded network assets, property and equipment of \$137, customer relationships and other intangible assets of \$610, and goodwill of \$503.

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Goodwill recognized in the transaction represents the expected operational synergies with the acquiree including intangible assets that do not qualify for separate recognition. The goodwill and intangibles are tax deductible.

The identifiable intangible assets are being amortized over a period of 2 to 5 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.

(b) Accounts receivable

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

	June 30	December 31
	2016	2015
Trade receivables	\$ 2,770	\$ 3,148
Allowance for doubtful accounts	(23)	(54)
Other	290	212
	<u>\$ 3,037</u>	<u>\$ 3,306</u>

6. Network Assets, Property and Equipment

Cost	Network assets	Cloud & Datacentre infrastructure	Computer equipment	Office furniture and equipment	Leasehold improvements	Vehicles	Total
Balance, January 1, 2016	\$ 114,869	\$ 13,752	\$ 2,173	\$ 2,211	\$ 1,602	\$ 49	\$ 134,656
Additions / reclassifications	2,519	570	173	63	23	-	3,348
Acquisitions	5	-	132	-	-	-	137
Disposals / Adjustments	(1,561)	(8)	-	-	-	-	(1,569)
Balance, June 30, 2016	<u>\$ 115,832</u>	<u>\$ 14,314</u>	<u>\$ 2,478</u>	<u>\$ 2,274</u>	<u>\$ 1,625</u>	<u>\$ 49</u>	<u>\$ 136,572</u>
Accumulated Depreciation							
Balance, January 1, 2016	\$ 80,080	\$ 888	\$ 2,133	\$ 2,132	\$ 854	\$ 49	\$ 86,136
Depreciation for the period	5,013	777	37	17	103	-	5,947
Disposals / Adjustments	(1,311)	2	-	-	-	-	(1,309)
Balance, June 30, 2016	<u>\$ 83,782</u>	<u>\$ 1,667</u>	<u>\$ 2,170</u>	<u>\$ 2,149</u>	<u>\$ 957</u>	<u>\$ 49</u>	<u>\$ 90,774</u>
Net Book Value, June 30, 2016	<u>\$ 32,050</u>	<u>\$ 12,647</u>	<u>\$ 308</u>	<u>\$ 125</u>	<u>\$ 668</u>	<u>\$ -</u>	<u>\$ 45,798</u>

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7. Intangibles Assets and Goodwill

Cost	Radio spectrum licenses	Computer Software	Customer relationships	Other	Total Intangibles	Goodwill	Total Intangibles and Goodwill
Balance, January 1, 2016	\$ 7,041	\$ 8,560	\$ 17,677	\$ 4,835	\$ 38,113	\$ 19,063	\$ 57,176
Additions	-	188	-	-	188	-	188
Acquisitions	-	-	580	30	610	503	1,113
Balance, June 30, 2016	\$ 7,041	\$ 8,748	\$ 18,257	\$ 4,865	\$ 38,911	\$ 19,566	\$ 58,477
Accumulated Depreciation							
Balance, January 1, 2016	\$ 2,371	\$ 7,178	\$ 5,385	\$ 1,355	\$ 16,289	\$ -	\$ 16,289
Amortization for the period	-	455	1,163	311	1,929	-	1,929
Balance June 30, 2016	\$ 2,371	\$ 7,633	\$ 6,548	\$ 1,666	\$ 18,218	\$ -	\$ 18,218
Net Book Value, June 30, 2016	\$ 4,670	\$ 1,115	\$ 11,709	\$ 3,199	\$ 20,693	\$ 19,566	\$ 40,259

8. Restricted Cash

Funds held in escrow

As at June 30, 2016, \$172 is held in escrow by the Company pending finalization of working capital adjustments related to the acquisition of BoxFabric in 2015.

9. Long-term Debt

	June 30 2016	December 31 2015
Term debt facility (a)	\$ 43,379	\$ 45,833
Equipment loans (b)	274	431
less: financing fees	(387)	(483)
	43,266	45,781
less: current portion	(5,199)	(6,123)
	\$ 38,067	\$ 39,658

(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 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.

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 June 30, 2016, \$nil amount is outstanding. Letters of credit outstanding under the facility totaled \$655 as of June 30, 2016.
- \$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. This facility was fully drawn upon signing the amended agreement.

On June 30, 2016, \$43,600 of the term facility principal was in a Banker's Acceptance and the remaining \$150 is at a floating rate. The Company has interest rate swap contracts on the Banker's Acceptance that mature June 29, 2018 that fix the interest rate at an average rate of 4.24%. The interest rate swap contract has not been designated as a

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hedge and will be marked-to-market each quarter. The fair value of the interest rate swap contract at June 30, 2016 was a liability of \$488 (December 31, 2015 – (\$612)) and is recorded in other long-term liabilities (Note 10), with a corresponding charge for the change in fair value recorded in finance costs.

As at June 30, 2016, the Company prepaid interest in the amount of \$371 which represents the net settlement of the Banker's Acceptance and is recorded as a reduction in the carrying value of the debt.

- \$25,000 available for funding acquisitions and will bear interest at prime plus a margin percent and is repayable in quarterly principal installments of 2.5% of the aggregate amount outstanding. As of June 30, 2016, this facility remains undrawn.

The financing fees have been deferred and amortized using the effective interest method over the term of the facility.

The NBC facility is subject to certain financial and non-financial covenants which the Company is in compliance with at June 30, 2016. 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.

(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

	June 30	December 31
	2016	2015
Performance based share units (Note 11 (c))	\$ 485	\$ 309
Restricted share units (Note 11 (b))	563	441
Fair value of interest rate swap contract (Note 9 (a))	488	612
Lease inducement liability	305	331
Assumed liabilities - Vancouver Data Centre	429	470
	<u>2,270</u>	<u>2,163</u>
less: current portion	(211)	(186)
	<u>\$ 2,059</u>	<u>\$ 1,977</u>

11. Stock-Based Compensation

(a) Stock Options

For the three month and six months ended June 30, 2016, the Company recorded stock-based compensation related to stock options of \$50 and \$113 (2015 - \$121 and \$261), respectively.

A summary of the status of the Company's stock option plan as at June 30, 2016 is presented below.

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	2016	
	Number of Options	Weighted Average Exercise Price
Outstanding - January 1, 2016	684	\$5.94
Granted	40	\$5.12
Exercised	(15)	\$4.00
Forfeited / Expired	(4)	\$5.41
Outstanding – June 30, 2016	705	\$5.89
Exercisable	534	\$5.97

(b) Restricted Share Units (RSUs)

For the three month and six months ended June 30, 2016, the Company recorded compensation expense of \$61 and \$122, respectively (2015 - \$61 and \$121), related to the RSUs granted. As of June 30, 2016, a liability of \$563 (December 31, 2015 - \$441) related to the RSUs granted is included in other long-term liabilities (Note 10).

	Number of RSUs
Opening Balance, January 1, 2016	150
Granted	-
Vested	-
Ending Balance, June 30, 2016	150

(c) Performance Based Share Units (PSUs)

For the three and six months ended June 30, 2016, the Company granted 19 and 256 PSUs (2015 – 51 and 152) to certain key executives.

For the three and six months ended June 30, 2016, the Company recorded stock-based compensation expense of \$122 and \$203, respectively (2015 - \$58 and \$88), related to the PSUs outstanding. As at June 30, 2016, a liability of \$485 (December 31, 2015 - \$309) 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:

	Number of PSUs
Opening Balance, January 1, 2016	252
Granted	256
Exercised	(5)
Forfeited/ Expired	(2)
Ending Balance, June 30, 2016	501

(d) Stock-Based Compensation Summary

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

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	Three months ended June 30		Six months ended June 30	
	2016	2015	2016	2015
Restricted share units	\$ 61	\$ 61	\$ 122	\$ 121
Performance-based share units	122	58	203	88
Stock options	50	121	113	261
Directors' fees paid in shares	97	92	179	200
	<u>\$ 330</u>	<u>\$ 332</u>	<u>\$ 617</u>	<u>\$ 670</u>

12. 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	
	2016	2015	2016	2015
Numerator for basic and diluted loss per share:				
Net loss for the period	\$ (395)	\$ (2,176)	(1,215)	(2,192)
Denominator for basic and diluted loss per share:				
Basic weighted average number of shares outstanding	14,159	12,476	14,147	12,134
Effect of stock options, RSUs and PSUs	-	-	-	-
Diluted weighted average number of shares outstanding	<u>14,159</u>	<u>12,476</u>	<u>14,147</u>	<u>12,134</u>
Loss per share:				
Basic	\$ (0.03)	\$ (0.17)	(0.09)	(0.18)
Diluted	\$ (0.03)	\$ (0.17)	(0.09)	(0.18)

Due to the loss for the three and six months ended June 30, 2016, the impact of all options, RSUs and PSUs totaling 1,318 and 1,213, respectively (2015 – 1,619 and 1,603), were excluded from the calculation of diluted earnings per share because they were antidilutive.

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13. 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 21 of the 2015 Consolidated Financial Statements.

The Company has classified its financial instruments as follows:

	June 30 2016		December 31 2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets:				
Loans and receivables, measured at amortized cost				
Cash and cash equivalents	\$ 10,428	\$ 10,428	\$ 13,066	\$ 13,066
Accounts receivable	3,037	3,037	3,306	3,306
Restricted cash	172	172	172	172
Financial liabilities:				
Accounts payable and accrued liabilities, measured at amortized cost	\$ 5,936	\$ 5,936	\$ 9,128	\$ 9,128
Fair value of interest rate swap contract	488	488	612	612
Long-term debt, measured at amortized cost	43,266	43,266	45,781	45,781

14. Related Party Transactions

Two former Directors of the Company, who retired effective June 23, 2016, also serve as Chairman of the Board and a Director of a customer of the Company. Revenue from this customer for the three months and six months ended June 30, 2016 was \$20 and \$40 (2015 - \$17 and \$34), respectively. Accounts receivable from this customer as at June 30, 2016 was \$5 (2015 - \$3), respectively.

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