2011
ANNUAL REPORT
Intermap Technologies Corporation

INTERMAP™

Management's Discussion and Analysis

For the year ended December 31, 2011

For purposes of this discussion, "Intermap®" or the "Company" refers to Intermap Technologies® Corporation and its subsidiaries.

This management's discussion and analysis (MD&A) is provided as of March 9, 2012, and should be read together with the Company's audited Consolidated Financial Statements and the accompanying notes for the years ended December 31, 2011 and 2010.

As of January 1, 2010, the Company adopted International Financial Reporting Standards (IFRS). The results reported herein have been prepared in accordance with IFRS and, unless otherwise noted, are expressed in United States dollars. See "International Financial Reporting Standards" for a discussion of IFRS and its impact on the Company's financial statement presentation.

Additional information relating to the Company, including the Company's Annual Information Form (AIF), can be found on the Company's Web site at www.intermap.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

In the interest of providing the shareholders and potential investors of Intermap with information about the Company and its subsidiaries, including Management's assessment of Intermap's and its subsidiaries' future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may," "will," "should," "could," "anticipate," "expect," "project," "estimate," "forecast," "plan," "intend," "target," "believe," and similar words suggesting future outcomes or statements regarding an outlook. Although Intermap believes that these forward-looking statements are based upon assumptions that Intermap believes to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance, and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking information contained in this MD&A is based on certain assumptions and analysis by management of the Company in light of its experience and perception of historical trends, current conditions, and expected future developments and other factors that it believes are appropriate.

The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: (i) the Company will continue to maintain sufficient and effective production capabilities with respect to the cost to produce its products; (ii) there will be no significant reduction in the availability of qualified and cost-effective human resources; (iii) the continued sales success of Intermap's products and services; (iv) the continued success of business development activities; (v) the continued existence and productivity of subsidiary operations; (vi) there will be no significant delays in the development and commercialization of the Company's products; (vii) new products and services will continue to be added to the Company's portfolio; (viii) demand for 3D geospatial products and services will continue to grow in the foreseeable future; (ix) there will be no significant barriers to the integration of the Company's products and services into customers' applications; and (x) superior 3D geospatial technologies / products do not develop that would render the Company's current product offerings obsolete.

Intermap's forward-looking statements are subject to risks and uncertainties pertaining to, among other things, availability of capital, revenue fluctuations, nature of government contracts, economic conditions, loss of key customers, retention and availability of executive talent, competing technologies, common share price volatility, loss of proprietary information, information technology security, breakdown of strategic alliances, and international and political considerations, including but not limited to those risks and uncertainties discussed under the heading "Risk Factors" in the MD&A, the Company's most recently filed AIF and the Company's other filings with securities regulators. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and the Company's future course of action depends on Management's assessment of all information available at the relevant time. Except to the extent required by law, the Company assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A, whether as a result of new information, future events, or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

BUSINESS OVERVIEW

Intermap is a location-based information (LBI) company creating geospatial solutions from uniform, high-resolution 3D digital models of the earth's surface called NEXTMap®. The Company uses these 3D digital models, together with integrated third party data, to create geospatial solutions for its customers. The NEXTMap database consists of high accuracy elevation data and geometric images as well as other geospatial related information that the Company uses to enhance the value of this database. These geospatial solutions are used in a wide range of applications, including, but not limited to location-based information, geographic information systems (GIS), engineering, GPS maps, insurance risk assessment, oil and gas, renewable energy, hydrology, environmental planning, wireless communications, transportation, advertising, and 3D visualization. The products are also used to improve the positional accuracy of airborne and satellite images.

Working for private industry, governments, and individual consumers worldwide, Intermap employs its own proprietary airborne interferometric synthetic aperture radar (IFSAR) mapping technology to build its NEXTMap database. IFSAR provides the ability to digitally map large areas accurately and quickly, and acquire data at any time of the day including overcast and dark conditions. The Company also aggregates data into its NEXTMap dataset from other mapping sensor types such as light detection and ranging (LiDAR), aerial photography, and satellite imagery.

The Company has refocused its sales and marketing disciplines, and believes the value of the NEXTMap data lies in application solutions for specific vertical markets, and not solely in the data as a standalone product. As a part of this refocus, the Company changed its pricing strategy and product offerings to make the purchase of its data more affordable to a wider array of potential users. To help facilitate these changes, the Company has expanded its Web services offerings to allow its NEXTMap 3D terrain products and related location-based information to be accessible via cloud-computing. These Web services offer a suite of hosted tools that gives even those unfamiliar with GIS the ability to quickly and easily perform terrain analysis based on an area of interest such as a county or an entire state. Subscribers to the Company's Web services can access the Company's 3D terrain information using their current Web browsers and through popular desktop GIS software applications.

NEXTMap

The NEXTMap datasets are included in the Company's data library, which was built from the acquisition, processing and aggregation of elevation data and geometric images. The NEXTMap datasets include terrain elevation and imagery data as well as other geospatial related information that the Company uses to enhance the value of the database. The Company maintains ownership rights to the data, and sells licenses to the data on a non-transferable basis. The data library includes data from the NEXTMap USA and NEXTMap Europe programs.

NEXTMap USA, the largest NEXTMap program to date, covers an area of nearly 8.0 million square kilometers of the contiguous United States and Hawaii. The NEXTMap Europe dataset represents 2.5 million square kilometers of area and includes the 17 countries of Austria, Belgium, Czech Republic, Denmark, England, France, Germany, Irish Republic, Italy, Luxembourg, Netherlands, Northern Ireland, Portugal, Spain, Scotland, Switzerland, and Wales.

As of December 31, 2011, the net book values of the NEXTMap USA and NEXTMap Europe datasets were $10.4 million (year ended December 31, 2010 - $12.9 million) and $8.0 million (year ended December 31, 2010 - $10.1 million), respectively.

FINANCIAL INFORMATION

The following table sets forth selected financial information for the periods indicated.

Selected Annual Information

U.S. $ millions, except per share data		**2011**		2010(1)		2009(1)
Revenue:						
Contract services	**$**	**10.8**	$	4.3	$	20.1
Data licenses		**13.3**		9.6		10.2
Total revenue	**$**	**24.1**	$	13.9	$	30.3
Impairment of data library	**$**	**-**	$	55.4	$	-
Net loss	**$**	**(13.6)**	$	(97.8)	$	(25.8)
EPS basic and diluted	**$**	**(0.2)**	$	(1.7)	$	(0.5)
Adjusted EBITDA	**$**	**(4.5)**	$	(19.7)	$	(6.2)
Assets:						
Data library	**$**	**18.4**	$	23.0	$	85.3
Total assets	**$**	**31.6**	$	43.6	$	126.2
Total long-term liabilities (including finance lease obligations)	**$**	**2.6**	$	1.5	$	1.6

(1) Amounts presented for 2010 have been restated for IFRS, and the amounts presented for 2009 have not been restated and are the originally disclosed amounts under GAAP.

Revenue

Consolidated revenue for the year ended December 31, 2011, totaled $24.1 million compared to $13.9 million for the same period in 2010, representing a 73% increase. As of December 31, 2011, there remained $16.2 million in revenue from existing contracts ($6.9 million in contract services and $9.3 million in data licensing contracts) to be recognized in future periods.

Contract services revenue for the year ended December 31, 2011, totaled $10.8 million, a 151% increase over the $4.3 million that was recorded during the same period in 2010. The increase was primarily the result of revenue generated from a mapping services project in Southeast Asia for which the Company recognized $8.6 million in revenue for the year ended December 31, 2011. Contract services revenue recognized in 2010 included projects in North America totaling $2.1 million and $1.0 million from work performed in relation to risk management initiatives in Europe.

Data licenses revenue for the year ended December 31, 2011, was $13.3 million, an increase of 37% over the same period in 2010, which totaled $9.7 million. The year-over-year increase was primarily the result of increased volume of NEXTMap data licensed in the United States during the year ended December 31, 2011, which generated $7.2 million in revenue. Data licensing in the United States occurred in a multitude of commercial and government applications including oil and gas exploration, telecommunications, risk assessment, and location-based information. Licensing of NEXTMap data in Germany, France, Italy, the United Kingdom, and Southeast Asia accounted for the majority of the remaining revenue recognized during the year ended December 31, 2011. The data licenses revenue recognized during the year ended December 31, 2010, was primarily the result of five significant contracts for NEXTMap data in Western Europe and Southeast Asia, which generated $5.6 million in revenue. The primary applications were in telecommunications, risk assessment, and expanded government-based mapping initiatives.

The Company believes that world economic difficulties have continued to affect its revenues during 2011. Existing and potential customers appear to be maintaining a cautious approach to their businesses, conserving cash by deferring previously planned projects and re-evaluating their short-term operating budgets. To address the continued economic difficulties, the Company has modified its pricing strategy and product offerings to make the purchase of data more affordable to a wider array of potential users. Additionally, the Company is developing new low cost, market specific applications that utilize its NEXTMap data to address customers' specific geospatial needs.

Classification of Operating Costs

In connection with the transition to IFRS, the Company changed the classification of its operating costs on the Consolidated Statements of Comprehensive Income. The composition of the operating costs classification is as follows:

U.S. $ millions		**2011**		2010[(1)]
Personnel	**$**	**16,990**	$	21,063
Purchased services & materials		**10,185**		9,965
Travel		**1,620**		1,659
Facilities and other expenses		**2,581**		3,694
	$	**31,376**	$	36,381

(1) Amounts presented for the year ended December 31, 2010 have been restated for IFRS.

Personnel

Personnel expense includes direct labor, employee compensation, employee benefits, and commissions.

Personnel expense for the years ended December 31, 2011 and 2010, totaled $17.0 million and $21.1 million, respectively. The 19% decrease in the year ended December 31, 2011, from the same period in 2010, is primarily due to workforce reductions associated with the Company's restructuring activities. The amount shown for the year ended December 31, 2011, includes $1.3 million of severance and termination costs compared to $1.4 million during the same period in 2010.

Consolidated active employee headcount was 249 at December 31, 2011 (including 137 in Jakarta, Indonesia), a 51% decrease from 509 at December 31, 2010 (including 330 in Jakarta, Indonesia). The decrease in personnel count was driven by a decrease in the following functional areas: operations 61%, or 197 personnel; sales and marketing 20%, or 9 personnel; engineering, research and development 30%, or 27 personnel; and administrative 39%, or 20 personnel. On an annualized basis, the net impact on total expenses (after severance and termination related costs) of the workforce reductions made during the year ended December 31, 2011, is approximately $6.8 million.

Non-cash compensation expense is included in operating costs and relates to share options and shares granted to employees and non-employees. Non-cash share-based compensation for the years ended December 31, 2011 and 2010, totaled $1.3 million and $1.1 million, respectively. The increase of $0.2 million in the year ended December 31, 2011, was primarily due to (i) share-based compensation issued to the Company's new Chief Executive Officer pursuant to his employment agreement, (ii) Board of Directors compensation, and (iii) the issuance of employee share options in March 2011. These increases were partially offset by the expiration, forfeiture and full vesting of share options that were granted in earlier periods and therefore incurred no additional expense during the current periods shown in 2011.

Purchased Services and Materials

Purchased services and materials (PS&M) includes (i) aircraft related costs, (ii) professional and consulting costs, (iii) third-party support services related to the collection, processing, and editing of the Company's airborne data collection activities, and (iv) software expenses (including maintenance and support).

For the years ended December 31, 2011 and 2010, PS&M expense was $10.2 million and $10.0 million, respectively. The increase in this category of expense in 2011 is primarily related to increased job and subcontractor expenses associated with a large mapping services contract in Southeast Asia. This contract created a significant amount of the 151% increase in contract services revenue on a year-over-year basis. The increased expenses associated with this contract were partially offset by major cost cutting measures initiated during the second half of 2010 and carried forward throughout 2011.

Travel

For the years ended December 31, 2011 and 2010, travel expense was $1.6 million and $1.7 million, respectively. The decrease during the year ended December 31, 2011 compared to the same period in 2010 is primarily the result of decreased travel for sales and marketing personnel resulting from the Company's cost cutting measures. This decrease was partially offset by increases in operations personnel travel associated with a large mapping services contract underway in Southeast Asia.

Facilities and Other Expenses

For the years ended December 31, 2011 and 2010, facilities and other expenses were $2.6 million and $3.7 million, respectively. The decrease for the year ended December 31, 2011, compared to the same period in 2010 is primarily due to cash conservation efforts to reduce other facility related costs. The 2010 amount also includes a bad debt expense totaling $0.3 million with no similar expense in 2011. The reduction in 2011 expenses were partially offset by $0.3 million of facility costs associated with the closure of the Company's Munich, Germany facility during the year ended December 31, 2011. The facility closure costs include the net future lease payments associated with the respective facility lease through the lease termination date. Accordingly, facility expenses have decreased in the periods subsequent to the closure date by the amounts that would have been recorded in such periods if the facility closure had not occurred (see "Provisions" below).

Adjusted EBITDA

Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is not a recognized performance measure under IFRS. The term EBITDA consists of net income (loss) and excludes interest, taxes, depreciation and amortization. Adjusted EBITDA also excludes restructuring costs, share-based compensation, gain or loss on the disposal of equipment, and gain or loss on foreign currency translation. Adjusted EBITDA is included as a supplemental disclosure because Management believes that such measurement provides a better assessment of the Company's operations on a continuing basis by eliminating certain non-cash charges and charges or gains that are nonrecurring. The most directly comparable measure to adjusted EBITDA calculated in accordance with IFRS is net income (loss). The following is a reconciliation of the Company's net loss to adjusted EBITDA.

U.S. $ millions	**2011**	2010
Net loss	**$ (13.6)**	$ (97.9)
Depreciation of property and equipment	**3.4**	4.6
Amortization of data library	**4.6**	14.3
Impairment of data library	**-**	55.4
Amortization of intangible assets	**0.5**	0.5
Restructuring costs	**1.5**	1.7
Stock-based compensation	**1.3**	1.1
Interest expense	**0.2**	0.1
Loss (gain) on disposal of equipment	**(2.5)**	0.1
Loss on foreign currency translation	**0.1**	0.4
Adjusted EBITDA	**$ (4.5)**	$ (19.7)

Adjusted EBITDA for the year ended December 31, 2011, was negative $4.5 million, compared to negative $19.7 million for the same period in 2010. The improvement in the adjusted EBITDA loss on a year-over-year basis is primarily attributable to an increase in revenue of $10.2 million, and a reduction of operating expenses (net of restructuring costs) of $5.0 million.

Depreciation of Property and Equipment

Depreciation expense for the year ended December 31, 2011, totaled $3.4 million, compared to $4.6 million for the same period in 2010. The decrease in depreciation expense is primarily the result of certain NEXTMap dedicated assets reaching the end of their useful lives.

Amortization of Data Library

For the year ended December 31, 2011 and 2010, amortization expense relating to the data library was $4.6 million and $14.3 million, respectively. The decrease in data library amortization expense was due to an impairment charge of the data library asset recorded during the last half of 2010.

Loss (Gain) on the Disposal of Equipment

During 2010, the Company committed to sell one of its IFSAR enabled aircraft which was no longer required subsequent to the completion of the NEXTMap USA and NEXTMap Europe datasets. The aircraft and IFSAR radar equipment (including associated processing technology and software tools) had a net book value of $1.2 million and $0.3 million, respectively, at the end of June 2011 when the ownership of the aircraft and radar system passed to the purchaser. The Company received full proceeds from the purchaser for the sale of the assets totaling $4.0 million in December 2010. The gain recognized from the sale of these assets in the year ended December 31, 2011, was $2.5 million.

Financing Costs

Financing income is generated from the investment of cash in low-yield government-backed securities (see "Liquidity and Capital Resources"). The investment of these funds earned the Company $3 thousand in financing income during the year ended December 31, 2011, compared to $8 thousand during the same period in 2010.

Financing expense for the year ended December 31, 2011, totaled $160 thousand, compared to $150 thousand for the same period in 2010. The increase in financing expense in the year ended December 31, 2011, compared to the same period in 2010 is due to interest on an outstanding promissory note, offset by the reduction of principal resulting from recurring payments on long-term debt and a term loan reaching maturity and final payments made on August 9, 2010.

Gain (Loss) on Foreign Currency Translation

The Company continuously monitors the level of foreign currency assets and liabilities carried on its consolidated balance sheet in an effort to minimize as much of the foreign currency translation exposure as possible. Steps taken to minimize translation effects have included the movement of cash and cash equivalents between Canadian dollar, Australian dollar, Euro and United States dollar currencies. The result is a partial natural currency hedge for the Company.

During the year ended December 31, 2011, a foreign currency translation loss of $72 thousand was recorded compared to a loss of $369 thousand for the same period in 2010. The losses for 2011 were primarily the result of losses on the accounts payable balances held in foreign currencies.

Income Tax

Current income tax expense of $170 thousand was incurred during the year ended December 31, 2011, compared to an expense of $57 thousand during the same period in 2010. This expense relates to taxable income generated from the Company's Indonesian, German, United Kingdom, Czech Republic and Australian subsidiaries.

During the year ended December 31, 2011, a deferred income tax recovery of $80 thousand, compared to an expense of $6 thousand for the same period in 2010 was recorded. The changes were the result of a deferred income tax recovery resulting from the amortization of intangible assets held in the Czech Republic subsidiary, which have no tax basis.

Amounts Receivable and Unbilled Revenue

Work is performed on contracts that provide invoicing upon the completion of identified contract milestones. Revenue on certain of these contracts is recognized using the percentage-of-completion method of accounting based on the ratio of costs incurred to date over the estimated total costs to complete the contract. While an effort is made to schedule payments on contracts in accordance with work performed, the completion of milestones does not always coincide with the costs incurred on a contract, resulting in revenue being recognized in excess of billings. These amounts are recorded in the consolidated balance sheet as unbilled revenue.

Amounts receivable and unbilled revenue increased from $5.2 million at December 31, 2010, to $6.4 million at December 31, 2011. The increase was primarily due to increased revenue on a contract services project, offset by the timing of collections. These amounts represent 66 days' sales at December 31, 2011, compared to 120 days sales at December 31, 2010, and reflect specific project billing milestones on current contracts that were in progress on those dates.

Non-Current Assets Held for Sale and Deposit for Sale of Assets

During 2010, the Company committed to sell one of its IFSAR enabled aircraft, which was no longer required subsequent to the completion of the NEXTMap USA and NEXTMap Europe datasets. The aircraft and IFSAR radar equipment (including associated processing technology and software tools) had a net book value of $1.2 million and $0.3 million, respectively, at the time the ownership passed to the purchaser on the assets at the end of June 2011.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities generally include trade payables, project-related accruals and personnel-related costs. Accounts payable and accrued liabilities increased from $3.1 million at December 31, 2010, to $5.1 million at December 31, 2011. This increase is due primarily to the timing of payments against the Company's trade payables, but also includes compensation related accrued liabilities totaling approximately $0.6 million at December 31, 2011, with no similar accruals at December 31, 2010.

		2011		2010
Accounts payable	$	2,384	$	716
Accrued liablities		2,665		2,410
Other taxes payable		48		15
	$	5,097	$	3,141

Provisions

Provisions decreased to $1.1 million at December 31, 2011, compared to $1.6 million at December 31, 2010. At the end of 2009, the Company announced its decision to close its facility in Ottawa, Canada, resulting in the recognition of a liability for future lease payments of $0.7 million. Of this total obligation, $0.2 million was recorded as long-term provisions and $0.5 million was included in current portion of provisions as of December 31, 2011. In June 2011, the Company began the closure process of its facility in Munich, Germany, resulting in the recognition of a liability for future lease payments of $0.3 million. This amount was included in current portion of provisions as of December 31, 2011.

The balance in current portion of provisions at December 31, 2011, includes $0.2 million of expenses related to reductions in workforce that occurred in January and June of 2011. At December 31, 2010, current portion of provisions include $0.8 million of expenses related to a reduction in workforce that occurred in the third quarter of 2010 and $0.3 million related to the closure of the Company's Ottawa, Canada office during 2010.

Note Payable

Note payable December 31, 2011, includes $1.7 million (year ended December 31, 2010 – $1.6 million) due to a service provider for an outstanding balance. The promissory note principal balance is payable beginning at the end of the fourth quarter of 2012 and matures in November 2014.

Unearned Revenue

The unearned revenue balance at December 31, 2011, decreased to $1.5 million from $4.9 million at December 31, 2010. This balance consists of payments received from customers on revenue contracts for which the Company has not yet fulfilled its obligations, or which the necessary revenue recognition criteria has not been met. The decrease from December 31, 2010, is primarily due to work performed on a contract services project during the year ended December 31, 2011, for which advance payments were made by the customer in 2010.

Finance Lease Obligations and Long-Term Debt

Finance lease obligations and long-term debt at December 31, 2011, decreased to $1.2 million from $1.4 million at December 31, 2010. Recurring payments on outstanding finance lease obligations and long-term bank loan obligations existing at December 31, 2010, were offset by a new finance lease for the purchase of $0.6 million of data storage equipment and software in September 2011.

QUARTERLY FINANCIAL INFORMATION

Selected Quarterly Information

The following table sets forth selected quarterly financial information for Intermap's eight most recent fiscal quarters. This information is unaudited, but reflects all adjustments of a normal, recurring nature that are, in the opinion of Management, necessary to present a fair statement of Intermap's consolidated results of operations for the periods presented. Quarter-to-quarter comparisons of Intermap's financial results are not necessarily meaningful and should not be relied on as an indication of future performance.

U.S. $ millions, except per share data	Q1 2010 (1)	Q2 2010 (1)	Q3 2010 (1)	Q4 2010 (1)	Q1 2011	Q2 2011	Q3 2011	**Q4 2011**
Revenue:								
Contract services	$ 1.2	$ 1.6	$ 0.7	$ 0.8	$ 2.9	$ 2.4	$ 3.2	**$ 2.3**
Data licenses	2.3	3.7	0.9	2.8	3.9	2.0	4.9	**2.5**
Total revenue	$ 3.5	$ 5.3	$ 1.6	$ 3.6	$ 6.8	$ 4.4	$ 8.1	**$ 4.8**
Depreciation and amortization	$ 4.5	$ 5.0	$ 4.9	$ 4.5	$ 2.1	$ 2.1	$ 2.0	**$ 1.8**
Impairment of data library	$ -	$ -	$ 39.1	$ 16.3	$ -	$ -	$ -	**$ -**
Net loss	$ (10.5)	$ (9.2)	$ (51.1)	$ (27.0)	$ (4.9)	$ (3.4)	$ (0.8)	**$ (4.5)**
Net loss per share basic and diluted	$ (0.20)	$ (0.18)	$ (0.85)	$ (0.48)	$ (0.08)	$ (0.05)	$ (0.01)	**$ (0.06)**
Adjusted EBITDA	$ (5.4)	$ (3.3)	$ (5.8)	$ (5.2)	$ (1.1)	$ (2.9)	$ 1.5	**$ (2.0)**

(1) Amounts presented for 2010 have been restated for IFRS.

Revenue

Consolidated revenue for the fourth quarter of 2011 totaled $4.8 million compared to $3.6 million for the same period in 2010, representing a 33% increase. Contract services revenue for the fourth quarter of 2011 increased to $2.3 million, a 188% increase over the $0.8 million that was recorded during the same period in 2010. The quarter-over-quarter increase was primarily the result of $1.2 million of revenue recognized on a previously announced contract services project in Southeast Asia. Contract services revenue of $0.8 million recognized during the fourth quarter of 2010 related primarily to a mapping services project in North America, which totaled $0.4 million during the period. Data licenses revenue for the fourth quarter of 2011 totaled $2.5 million, compared to $2.8 million for the same period in 2010, representing an 11% decrease. The decrease was primarily the result of a reduction of NEXTMap data license sales in Europe and Southeast Asia of $1.3 million, partially off-set by an increase $1.0 million in the United States.

Personnel

Personnel expense for the fourth quarter of 2011 was $3.7 million, compared to $4.6 million for the same period in 2010. The 20% decrease in the quarter ended December 31, 2011, from the same period in 2010 is primarily due to workforce reductions associated with the Company's restructuring activities during the year. The restructuring activities led to an overall decrease in headcount of 51% during the year.

Non-cash share-based compensation for three-month periods ended December 31, 2011 and 2010, totaled $0.1 million and $0.3 million, respectively. The decrease was primarily due to reductions in headcount and shares granted to the Company's new CEO in December 2010 with no similar expense for the same period in 2011.

Purchased Services and Materials

For the three-month periods ended December 31, 2011 and 2010, PS&M expense was $2.5 million and $3.4 million, respectively. The decrease is primarily due to the combination of the expensing of $1.9 million of work in process in 2010 with no similar expense in 2011, partially offset by increased job and subcontractor expenses associated with a large mapping services contract in Southeast Asia in 2011.

Travel

For the three-month periods ended December 31, 2011 and 2010, travel expense was $0.4 million and $0.3 million, respectively. The increase during the three-month period ended December 31, 2011 compared to the same period in 2010 is primarily the result of increased travel by operations personnel associated with a large mapping services contract underway in Southeast Asia.

Facilities and Other Expenses

For the three-month periods ended December 31, 2011 and 2010, facilities and other expenses were $0.5 million and $1.0 million, respectively. The decrease for the quarter ended December 31, 2011, compared to the same period in 2010 is primarily the result of no lease expense associated with the Company's facility in Munich, Germany due to liquidation proceedings initiated for the Company's German entity earlier in the year, combined with cash conservation efforts to reduce other facility related costs.

CONTRACTUAL OBLIGATIONS

Contractual obligations include (i) note payable; (ii) operating leases on office locations; (iii) capital leases on computer equipment and software; and (iv) long-term debt obligations. Principal and interest repayments of these obligations are as follows:

LIQUIDITY AND CAPITAL RESOURCES

		Payments due by Period (US $ thousands)			
Contractual obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Note payable	$ 1,869	$ 119	$ 1,750	$ -	$ -
Operating leases	3,856	1,215	1,724	917	
Finance leases	657	381	276	-	-
Long-term debt	669	573	96	-	-
Total	$ 7,051	$ 2,288	$ 3,846	$ 917	$ -

Management continually assesses liquidity in terms of the ability to generate sufficient cash flow to fund the business. Net cash flow is affected by the following items: (i) operating activities, including the level of amounts receivable, unbilled receivables, accounts payable, accrued liabilities and deferred revenue, (ii) investing activities, including the purchase of property and equipment, and (iii) financing activities, including debt financing and the issuance of capital stock.

Cash used in operations during the year ended December 31, 2011, totaled $9.1 million, compared to cash used by operations of $8.2 million during the same period in 2010. During the year ended December 31, 2011, compared to the same period in 2010, cash used in operations increased by $0.9 million due primarily to operating costs incurred on a large contract services project in Southeast Asia. These increases were partially offset by decreases in personnel related expenses and general operating expenses resulting from the Company's restructuring activities during the year.

Net cash used in investing activities totaled $0.3 million for the year ended December 31, 2011, compared to $1.6 million during the same period in 2010. Cash used in investing activities during the year ended December 31, 2011, was primarily for the development of intangible assets (the Company's NEXTMap WebStore™) of $0.2 million, and the purchase of computer related equipment of $0.1. Cash used in investing activities during the year ended December 31, 2010, was primarily for the investment in the data library of $4.6 million, the purchase of property and equipment of $1.0 million, and proceeds from the sale of the aircraft and IFSAR radar equipment of $4.0 million. For the year ended December 31, 2011, compared to the same period in 2010, there was no investment in the data library as the NEXTMap USA dataset was completed in 2010.

Net cash generated by financing activities totaled $5.6 million during the year ended December 31, 2011, compared to net cash generated by financing activities totaling $3.9 million during the same period in 2010. The net cash generated from financing activities during the year ended December 31, 2011, was due to the completion of a share issuance of 16,125,000 units (each unit consist of one Class A common share of the Company and one common share purchase warrant) for total gross consideration of $6.8 million. This amount was offset by $0.4 million of securities issuance costs and repayment of long-term debt and capital leases of $0.8 million. The net cash generated from financing activities during the year ended December 31, 2010, was due to a share issuance of 8,125,000 Class A common shares for a total gross consideration of $6.2 million. This amount was offset by $0.7 million of securities issuance costs and the repayment of long-term debt and capital leases totaling $1.6 million.

The cash position of the Company at December 31, 2011 (cash and cash equivalents), was $0.6 million, compared to $4.4 million at December 31, 2010. Working capital improved to a negative $0.4 million as of December 31, 2011, from a negative $3.5 million as of December 31, 2010. The improvement in working capital at December 31, 2011, is primarily the result of a decrease in current liabilities driven by $7.3 million of reductions in deposits on assets held for sale and unearned revenue. This amount was partially offset by an increase in the accounts payable and accrued liability balance of $2.0, and a decrease in non-current assets held for sale of $1.5 million.

During the year ended December 31, 2011, the Company incurred a loss of $13.6 million and had negative cash flow from operations of $9.1 million. In addition, the Company has an accumulated deficit of $183.3 million. The Company's continuing operations are dependent on its ability to obtain future profitable operations and generate positive cash flows from operations. The Company is also considering the selling of excess capacity assets to improve its cash position. If these activities are not adequate to fund the Company's ongoing operations, the Company may be required to explore additional financing alternatives, if available. Failure to achieve one or more of these requirements could have a material adverse effect on the Company's financial condition and / or results of operations in future periods.

The above factors raise significant doubt about the Company's ability to continue as a going concern. Management has taken actions to address these issues including several organizational restructurings, new senior management, the sale of excess capacity assets, a company-wide cost-reduction program, adjustments to the sales and marketing functions, changes to the pricing structure of its products and services, and the raising of additional capital. These actions have begun to make a positive impact on the performance of the Company as is evidenced by the reduced net loss and a $15.2 million improvement in adjusted EBITDA on a year-over-year basis. However, the Company cannot be certain that its future cash generated from operations will be sufficient to satisfy its liquidity requirements on a go forward basis.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue is recognized when (i) persuasive evidence of an arrangement exists; (ii) the significant risks and rewards of ownership, including managerial involvement, have been transferred to the buyer; (iii) the amount of revenue can be measured reliably; and (iv) costs incurred or to be incurred can be measured reliably. Billings in excess of revenue are recorded as unearned revenue. Revenue recognized in excess of billings is recorded as unbilled revenue.

Goods Sold

Revenue from the sale of data licenses in the ordinary course is measured at the fair value of the consideration received or receivable.

Subscriptions

Revenue from data sold on a subscription basis is recognized straight-line over the term of the agreement.

Fixed-price Contracts

Revenue from fixed-price contracts is recognized using the percentage-of-completion method, based on the ratio of costs incurred to estimated final contract costs. The use of the percentage of completion method requires estimates to determine the cost to complete each contract. These estimates are reviewed monthly and adjusted as necessary. Provisions for estimated losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured in the amount by which the estimated costs of the related project exceed the estimated total revenue for the project.

Multiple Component Arrangements

When a single sales transaction requires the delivery of more than one product or service (multiple components), the revenue recognition criteria are applied separately to identifiable components. A component is considered to be separately identifiable if the product or service delivered has stand-alone value to that customer and the fair value associated with the product or service can be measured reliably. The amount recognized as revenue for each component is the fair value of the element in relation to the fair value of the arrangement as a whole.

Data Library (NEXTMap)

The Company maintains a data library, which results from the acquisition and processing of digital map data. Ownership rights to this data are retained by the Company and the data is licensed to customers. The direct costs of acquiring and processing the data are capitalized as an investment in the data library when it can be shown that such costs create material future value to the Company. Capitalized costs include direct overhead associated with the acquisition and processing of the data and the depreciation of the property and equipment used in the production of the data.

The data library balance is being amortized on a monthly basis using the straight-line amortization method over 60 months.

The carrying value of the data library is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company has determined that the NEXTMap USA and NEXTMap Europe datasets represent separate cash generating units for impairment testing purposes. The Company has identified addressable markets for each of these datasets and has estimated future data library licenses sales and cash flows within these addressable markets. The forecasts of estimated data library cash flows are reviewed each quarter taking into account economic and market trends, technical advances, competitive developments, and actual sales versus forecasts.

During December 2010, a strategic review of the Company's approach to selling the NEXTMap datasets in the United States and Europe was undertaken by the new executive management of the Company. Upon completion of this review, it was determined that the historical pricing strategy of the NEXTMap datasets required downward adjustment and the Company could no longer afford to invest the resources necessary to exploit certain target markets previously identified. These changes, coupled with the Company's history of losses, led the Company to perform an asset impairment review to determine if the carrying value of the NEXTMap USA and NEXTMap Europe cash generating units were recoverable. The Company determined that the future expected cash flows of the datasets were insufficient to recover the carrying value of the assets, resulting in an impairment charge being taken. For IFRS reporting purposes, the impairment charges were recorded during the three-month periods ended September 30, 2010, and December 31, 2010, in the amounts of $39.1 million and $16.3 million, respectively. Subsequent to the combined impairment charges, the net book value of the NEXTMap USA and NEXTMap Europe datasets at December 31, 2010 were $12.9 million and $10.1 million, respectively.

The Company determined that no further impairment had occurred as of December 31, 2011.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company prepared its consolidated financial statements in accordance with IAS34 as issued by the International Accounting Standards Board (IASB) and using the accounting policies the Company adopted in its consolidated financial statements for the year ending December 31, 2011.

This MD&A is subsequent to the Company's transition to IFRS, effective as of January 1, 2010 (the Transition Date), and the Company's first annual reporting period under IFRS is the year ended December 31, 2011. Full disclosure of the impact of the Company's transition to IFRS can be found in notes 2, 3, and 20 to the Company's consolidated financial statements for the year ended December 31, 2011.

IFRS Transition

In preparing its opening IFRS condensed consolidated interim balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. The table below outlines the adjustments to shareholders' equity upon adoption of IFRS on January 1, 2010, and at December 31, 2010.

		January 1, 2010		December 31, 2010
Shareholders' equity under GAAP	$	116,194	$	26,412
Non-current assets held for sale				(212)
Property and equipment		(78)		142
Data library		2,244		-
Intangible assets		147		63
Provisions		(714)		
Shareholders' equity under IFRS	**$**	**117,793**	**$**	**26,405**

A reconciliation of comprehensive income under GAAP and IFRS for the year ended December 31, 2010, is as follows:

		December 31, 2010
Comprehensive loss under GAAP	$	96,872
Net loss adjustments:		
Operating costs		1,330
Depreciation of property and equipment		10
Amortization and impairment of multi-client data library		(2,244)
Amortization of intangible assets		(50)
Loss on foreign currency translation		(15)
Total net loss adjustments		(969)
Comprehensive loss adjustments:		
Foreign currency translation differences		(19)
Comprehensive loss under IFRS	**$**	**97,860**

Note 20 to the Company's consolidated financial statements for the year ended December 31, 2011, includes further details on the transition adjustments between GAAP and IFRS.

Post implementation

The post-implementation phase will involve continuous monitoring of changes in IFRS in future periods. It is noted that the standard-setting bodies that determine IFRS have significant ongoing projects that could impact the IFRS accounting policies that have been selected. In particular, it is expected that there may be additional new or revised IFRS standards or International Financial Reporting Interpretations Committee (IFRIC) interpretations in relation to consolidation, financial instruments, leases and revenue recognition. Processes are in place to ensure that potential changes are monitored and evaluated. The impact of any new IFRS standards and IFRIC interpretations will be evaluated as they are drafted and published.

OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of Class A common shares without par value and an unlimited number of Class A participating preferred shares without par value. At the close of business on March 9, 2012, 79,003,328 Class A common shares were issued and outstanding. There are no preferred shares currently issued and outstanding.

As of March 9, 2012, 5,135,820 share options are outstanding in the Company's share option plan with a weighted average exercise price of C$1.29. In addition, there are 17,375,000 warrants outstanding that are exercisable with a weighted average exercise price of C$0.48, and each warrant entitles the holder to purchase one Class A common share.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

Disclosure Control Risks

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to Management as appropriate to allow timely decisions regarding required disclosure. Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the effectiveness of the disclosure controls and procedures as at December 31, 2011, that disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company.

Internal Control Risks

Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting. Management, including the Chief Executive Officer and Chief Financial Officer, reviewed and evaluated the design and operating effectiveness of the internal controls over financial reporting (as defined by Multilateral Instrument 52-109) and concluded that sufficient controls exist at December 31, 2011, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no significant changes in the design of internal controls over financial reporting that occurred during the year ended December 31, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

The risks and uncertainties described below are not exhaustive. Additional risks not presently known or currently deemed immaterial may also impair the Company's business operation. If any of the events described in the following business risks actually occur, overall business, operating results, and the financial condition of the Company could be materially adversely affected.

Availability of Capital

The Company cannot be certain that cash generated from its operations will be sufficient to satisfy its liquidity requirements and it may need to raise capital by selling additional equity and or by securing credit facilities. The Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and services. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favorable to the Company.

The Company currently has no commitments for additional working capital funding and therefore its ability to meet any unexpected liquidity needs is uncertain. If additional funds are raised through the issuance of equity securities, the Company's shareholders may experience significant dilution. Furthermore, if additional financing is not available when required, or is not available on acceptable terms, the Company may be unable to develop or market its products, take advantage of business opportunities, or may be required to significantly curtail its business operations.

The Company is uncertain what impact the current volatility in worldwide credit and equity markets may have on its ability to obtain future financing. Since 2008, there has been unprecedented turmoil in equity and credit markets. Because of the severity of these market events and because the markets currently remain volatile, the Company cannot predict what effect these events will have on its ability to obtain financing in the future, if required.

Revenue Fluctuations

Intermap's revenue has fluctuated over the years. Mapping projects, the purchase of archived data, and the purchase of geospatial solutions by the Company's customers are all scheduled according to customer requirements and the timing of regulatory and / or budgetary decisions. The commencement or completion of mapping projects within a particular quarter or year, the timing of regulatory approvals, operating decisions of clients, and the fixed-cost nature of Intermap's business, among other factors, may cause the Company's results to vary significantly between fiscal years and between quarters in the same fiscal year.

Nature of Government Contracts

Intermap conducts a significant portion of its business either directly or in cooperation with the United States government, other governments around the world, and international funding agencies. In many cases, the terms of these contracts provide for cancellation at the option of the government or agency at any time. In addition, many of Intermap's products and services require government appropriations and regulatory licenses, permits, and approvals, the timing and receipt of which are not within Intermap's control. Any of these factors could have an effect on Intermap's revenue, earnings, and cash flow.

General Economic Trends

The worldwide economic slowdown and tightening of credit in the financial markets may impact the business of our customers, which could have an adverse effect on Intermap's business, financial condition, or results of operations. Adverse changes in general economic or political conditions in any of the major countries in which the Company does business could also adversely affect Intermap's operating results.

Key Customers

During 2011, the Company had four key customers that accounted for 43% of the Company's total revenue. In 2010, the Company had five key customers that accounted for approximately 50% of the Company's total revenue. To the extent that significant customers cancel or delay orders, Intermap's revenue, earnings, and cash flow could be materially and adversely affected.

Executive Talent

Intermap is in a repositioning phase in its markets. This repositioning, coupled with the development of new product lines, Web services, and developing applications, requires the retention of executive talent. The Company will continue to invest in training and leadership development in response to the changes within the Company to retain talent. Although Intermap has a talented team of experienced executives, it may not be able to further develop executive talent internally or attract and retain enough executive talent to effectively manage the anticipated growth and changes within the Company.

New Competing Technologies

It is possible that commercially available satellite images could, in the future, match or come close to the image resolution offered by the Company's IFSAR technology. However, the Company believes that the technology to perform 3D radar imaging from space at 1-meter resolution with postings every 5 meters is considered to be two or more years away. In any event, Intermap continues to evaluate its data collection capabilities and look for improvements to the performance of its IFSAR technology. Although there are only a few direct Intermap competitors currently, the industry is characterized by rapid technological progress. Intermap's ability to continue to develop and introduce new products and services, or incorporate enhancements to existing products and services, may require significant additional research and development expenditures and investments in support infrastructure.

Another approach to production of digital elevation models is the use of auto correlation software to analyze common points in two or more optical images of the same area taken from different viewing angles. Essentially this is the same principle that is used by technicians as they extract elevation points using stereo photogrammetric techniques, but in this case it is automated using computer software image matching algorithms. This process is well known and has been used with limited success over small areas. Advances in computing power, coupled with massive storage solutions, may make this technology useful over larger areas in the future, and if so, could represent a significant competing technology.

Any required additional financing needed by the Company to remain competitive with these other technologies may not be available or, if available, may not be on terms satisfactory to the Company.

Common Share Price Volatility

The market price of the Company's common shares has fluctuated widely in recent periods and is likely to continue to be volatile. A number of factors can affect the market price of Intermap's common stock including (i) actual or anticipated variations in operating results, (ii) the low daily trading volume of the Company's stock, (iii) announcement of technological innovations or new products by the Company or its competitors, (iv) competition, including pricing pressures and the potential impact of competitors products on sales, (v) changing conditions in the digital mapping and related industries, (vi) unexpected production difficulties, (vii) changes in financial estimates or recommendations by stock market analysts regarding Intermap or its competitors, (viii) announcements by Intermap or its competitors of acquisitions, strategic partnerships, or joint ventures, (ix) additions or departures of senior management, and (x) changes in economic or political conditions.

Additionally, in recent years, the stock market in general and shares of technology companies in particular, have experienced extreme price and volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of these technology companies. These broad market and industry fluctuations may harm the market price of Intermap's common stock, regardless of its operating results.

Loss of Proprietary Information

Intermap does not hold patents on the technology used in its operations and relies principally on trade secrets, know-how, expertise, experience, and the marketing ability of its personnel to remain competitive. Although Intermap requires all employees, consultants, and third parties to agree to keep its proprietary information confidential, no assurance can be given that the steps taken by Intermap will be effective in deterring misappropriation of its technologies. Additionally, no assurance can be given that employees or consultants will not challenge the legitimacy or scope of their confidentiality obligations, or that third parties, in time, could not independently develop and deploy equivalent or superior technologies.

Information Technology Security

The success of the NEXTMap programs has resulted in the NEXTMap database becoming the single most valuable asset of the Company. While Intermap has invested in database management, information technology security, firewalls, and offsite duplicate storage, there is a risk of a loss of data through unauthorized access or a customer violating the terms of the Company's end user licensing agreements and distributing unauthorized copies of its data. Intermap has, and will continue to invest, in both legal resources to strengthen its licensing agreements with its customers and in overall information technology protection.

Breakdown of Strategic Alliances

Intermap has fostered a number of key alliances over the past several years and intends to enter into new alliances in the future. The Company believes these new alliances will help enable access to significant scalable markets that would not otherwise be accessible in a timely manner. The breakdown or termination of some or all of those alliances could have a material impact on the Company. At this time, the Company is not aware of any material issues in its strategic relationships. Should any one of these companies be unable to continue its alliance with Intermap, or otherwise choose to dissolve the relationship, the Company would seek to replace the connection with other entities, but there is no guarantee such replacement would occur.

Exporting Products – Political Considerations

Intermap's data collection systems contain technology that is classified as a defense article under the International Traffic and Arms Regulations. All mapping efforts undertaken outside the United States, therefore, constitute a temporary export of a defense article, requiring prior written approval by the United States Department of State for each country within which mapping operations are to be performed. The Company does not currently anticipate that requirements for export permits will have a material impact on the Company's operations, although either government policy or government relations with select foreign countries may change to the point of affecting the Company's operational opportunities. The data produced by Intermap's IFSAR system falls under Department of Commerce regulations and is virtually unrestricted.

Foreign Operations

A significant portion of Intermap's revenue is expected to come from customers outside of the United States and is therefore subject to additional risks, including foreign currency exchange rate fluctuations, agreements that may be difficult to enforce, receivables difficult to collect through a foreign country's legal system, and the imposition of foreign-country-imposed withholding taxes or other foreign taxes. Intermap relies on contract prepayments or letters of credit to secure payment from certain of its customers when deemed necessary. The Company has in the past secured export credit insurance on certain of its international receivables, which greatly reduces the commercial and political risks of operating outside of North America.

Political Instability

Intermap understands that not every region enjoys the political stability that is taken for granted in North America. Developments in recent years in the Middle East and Asia illustrate this clearly. Political or significant instability in a region where Intermap is conducting data collection activities, or where Intermap has clients, could adversely impact Intermap's business.

Regulatory Approvals

The development and application of certain of the Company's products requires the approval of applicable regulatory authorities. A failure to obtain such approval on a timely basis, or material conditions imposed by such authority in connection with the approval, would materially affect the prospects of the Company.

Aircraft / Radar Lost or Damaged

Although the Company believes that the probability of one of the Company's aircraft or radar sustaining significant damage or being lost in its entirety is extremely low, such damage or loss could occur. Now that the data collection associated with the Company's NEXTMap USA and NEXTMap Europe programs is complete, the Company is expected to have available to it, for data collection purposes, one additional aircraft at any given time. The risk to the Company of loss from the damage of an aircraft is therefore considered to be minimal. In the event that a radar mapping system is lost in its entirety through the destruction of the aircraft, it would take the Company approximately six to nine months to replace the lost equipment, if required.

Global Positioning System ("GPS") Failure

GPS satellites have been available to the commercial market for many years. The continued unrestricted access to the signals produced by these GPS satellites is a requirement in the collection of the Company's IFSAR data. A loss of GPS would have such a global impact that it is believed that controlling authorities would almost certainly make another system available to GPS receivers in relatively short order.

Information Openly Available to the Public

The Company accesses information available to the public via the Internet and may incorporate pieces into its products. If a source of public information determined that the Company was profiting from free information, there is risk it could seek compensation.

Force Majeure

The Company's projects may be adversely affected by risks outside the control of the Company including labor unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics, or quarantine restrictions.

Additional Information

Additional risk factors may be detailed in the Company's Annual Information Form, which can be found on the Company's Web site at www.intermap.com and on SEDAR at www.sedar.com.

Auditors' Report to the Shareholders

We have audited the accompanying consolidated financial statements of Intermap Technologies Corporation, which comprise the consolidated balance sheets as at December 31, 2011, December 31, 2010 and January 1, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of Intermap Technologies Corporation as at as at December 31, 2011, December 31, 2010 and January 1, 2010, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(a) to the consolidated financial statements which describes that for the year ended December 31, 2011 the Company incurred a net loss of $13,596,000, had negative cash flows from operations of 9,061,000 and as at December 31, 2011 has an accumulated deficit of $183,272,000. These conditions along with other matters described in Note 2(a), indicate the existence of a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
March 12, 2012 – Ottawa, Canada

Consolidated Financial Statements

Consolidated Balance Sheets

(In thousands of United States dollars)

	December 31, 2011	December 31, 2010	January 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	$ 597	$ 4,356	$ 10,355
Amounts receivable	5,512	4,156	12,270
Unbilled revenue	865	1,016	343
Work in process	26	59	2,057
Prepaid expenses	616	1,039	1,481
Non-current assets held for sale (Note 4)	-	1,488	-
	7,616	12,114	26,506
Property and equipment (Note 5)	5,273	7,908	13,302
Data library (Note 6)	18,439	23,049	87,520
Intangible assets (Note 7)	290	551	1,056
Deferred tax assets (Note 14)	5	5	136
	$ 31,623	$ 43,627	$ 128,520
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities (Note 8)	$ 5,097	$ 3,141	$ 5,916
Current portion of provisions (Note 15)	888	1,109	398
Current portion of note payable (Note 9)	69	1,639	-
Current portion of deferred lease inducements	97	123	171
Unearned revenue	1,544	4,873	674
Deposit for sale of assets (Note 4)	-	4,000	-
Income taxes payable	43	50	42
Current portion of obligations under finance lease (Note 10)	323	151	229
Current portion of long-term debt (Note 11)	548	527	1,383
	8,609	15,613	8,813
Long-term note payable (Note 9)	1,629	-	-
Deferred lease inducements	363	286	129
Long-term provisions (Note 15)	223	531	316
Obligations under finance lease (Note 10)	262	41	130
Long-term debt (Note 11)	95	658	1,121
Deferred tax liabilities (Note 14)	13	93	218
	11,194	17,222	10,727
Shareholders' equity:			
Share capital (Note 13)	193,992	187,253	181,623
Accumulated other comprehensive income	46	128	147
Contributed surplus (Note 13(c))	9,663	8,700	7,858
Deficit	(183,272)	(169,676)	(71,835)
	20,429	26,405	117,793
Going concern (Note 2(a))			
Commitments (Note 15)			
	$ 31,623	$ 43,627	$ 128,520

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) Larry G. Garberding

Larry G. Garberding
Director

(Signed) Donald R. Gardner

Donald R. Gardner
Director

Consolidated Statements of Comprehensive Income

(In thousands of United States dollars, except per share information)

For the year ended December 31,		2011		2010
Revenue:				
Contract services	$	10,813	$	4,280
Data licenses		13,254		9,652
		24,067		13,932
Expenses:				
Operating costs (Note 12)		31,376		36,381
Depreciation of property and equipment		3,377		4,567
Amortization of data library		4,610		14,346
Impairment of data library		-		55,362
Amortization of intangible assets		495		471
		39,858		111,127
Operating loss		(15,791)		(97,195)
Gain (loss) on disposal of equipment		2,514		(72)
Financing costs		(160)		(142)
Financing income		3		
Loss on foreign currency translation		(72)		(369)
Loss before income taxes		(13,506)		(97,778)
Income tax (expense) recovery:				
Current (Note 14)		(170)		(57)
Deferred (Note 14)		80		(6)
		(90)		(63)
Net loss for the period	$	(13,596)	$	(97,841)
Other comprehensive loss:				
Foreign currency translation differences		(82)		(19)
Total comprehensive loss for the period	$	(13,678)	$	(97,860)
Basic and diluted loss per share	$	(0.19)	$	(1.73)
Weighted average number of Class A common shares - basic and diluted (Note 13(d))		72,563,227		56,502,778

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

(In thousands of United States dollars)

	Share Capital	Contributed Surplus	Cumulative Translation Adjustments	Deficit	Total
Balance at January 1, 2010	$ 181,623	$ 7,858	$ 147	$ (71,835)	$ 117,793
Comprehensive loss for the period	-	-	(19)	(97,841)	(97,860)
Share-based compensation	198	732	-	-	930
Issuance of shares	6,157	-	-	-	6,157
Issuance costs	(725)	-	-	-	(725)
Compensation options issued to agent	-	110	-	-	110
Balance at December 31, 2010	187,253	8,700	128	(169,676)	26,405
Comprehensive loss for the period	-	-	(82)	(13,596)	(13,678)
Share-based compensation	597	698	-	-	1,295
Issuance of shares	6,791	-	-	-	6,791
Issuance costs	(384)	-	-	-	(384)
Compensation options issued to agent	(265)	265	-	-	-
Balance at December 31, 2011	$ 193,992	$ 9,663	$ 46	$ (183,272)	$ 20,429

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands of United States dollars)

	For the years ended December 31, 2011	2010
Cash flows (used in) provided by:		
Operating activities:		
Net loss for the period	**$ (13,596)**	$ (97,841)
Adjusted for the following non-cash items:		
Depreciation of property and equipment	**3,377**	4,567
Amortization of data library	**4,610**	14,346
Impairment of data library	**-**	55,362
Amortization of intangible assets	**495**	471
Share-based compensation expense	**1,011**	1,068
(Gain) loss on disposal of equipment	**(2,514)**	72
Amortization of deferred lease inducements	**55**	(279)
Deferred taxes	**(80)**	6
Financing costs	**160**	142
Current income tax expense	**170**	57
Interest paid	**(99)**	(140)
Income tax paid	**(105)**	(154)
Change in non-cash operating working capital	**(2,545)**	14,162
	(9,061)	(8,161)
Investing activities:		
Purchase of property and equipment	**(102)**	(1,015)
Investment in intangible assets	**(242)**	-
Investment in data library	**-**	(4,605)
Proceeds from sale of equipment	**1**	4,019
	(343)	(1,601)
Financing activities:		
Proceeds from issuance of common shares	**6,791**	6,157
Securities issuance costs	**(384)**	(725)
Repayment of obligations under finance lease	**(239)**	(167)
Repayment of long-term debt	**(531)**	(1,390)
	5,637	3,875
Effect of foreign exchange on cash	**8**	(112)
Decrease in cash and cash equivalents	**(3,759)**	(5,999)
Cash and cash equivalents, beginning of period	**4,356**	10,355
Cash and cash equivalents, end of period	**$ 597**	$ 4,356

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(In thousands of United States dollars, except per share information)

1. Reporting entity:

Intermap Technologies® Corporation (the Company) is incorporated under the laws of Alberta, Canada. The head office of Intermap is located at 8310 South Valley Highway, Suite 400, Englewood, Colorado, USA 80112. Its registered office is located at 1250 Standard Life Building, 639 – 5th Avenue S.W., Calgary, Alberta, T2P 0M9.

The Company is a provider of location-based information (LBI) solutions created from its uniform, high-resolution 3D digital models of the earth's surface. Using a combination of the Company's proprietary airborne interferometric synthetic aperture radar (IFSAR) data collection technology, third party sensors, and other available geospatial related information, the Company is aggregating this information and creating a database of elevation data, geometric images, and location-based information called NEXTMap®. This NEXTMap database is the foundation for the Company's 3D business intelligence solutions created to help solve the geospatial-related challenges of its customers.

2. Basis of preparation:

a. Going concern:

These financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. During the year ended December 31, 2011, the Company incurred a loss of $13,596 and negative cash flow from operations of $9,061. In addition, the Company has an accumulated deficit of $183,272.

The above factors raise significant doubt about the Company's ability to continue as a going concern. Management has taken actions to address these issues including an organizational restructuring, sale of excess capacity assets, a company-wide cost reduction program, the introduction of new products and services, a revised approach to pricing and selling of the Company's products and services, and has obtained additional financing. The Company's ability to continue as a going concern is dependent on management's ability to successfully generate a profit from operations, sell assets, or obtain additional financing, if required. Failure to achieve one or more of these requirements could have a material adverse effect on the Company's financial condition and / or results of operations.

The Company cannot be certain that cash generated from its operations will be sufficient to satisfy its liquidity requirements, and it may need to continue to raise capital by selling additional equity and / or by securing credit facilities. The Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and services. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favorable to the Company.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

b. Statement of compliance:

These consolidated financial statements have been prepared in accordance International Financial Reporting Standards (IFRS). The significant accounting policies are summarized in Note 3.

These are the Company's first annual consolidated financial statements subsequent to the Company's transition to IFRS, which has been applied effective as of January 1, 2010 (the Transition Date). IFRS 1, First-time adoption of IFRS (IFRS 1), has been applied. An explanation of how the transition to IFRS has affected these consolidated financial statements is included in Note 21.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of March 9, 2012, the date the Board of Directors approved the consolidated financial statements.

c. Measurement basis:

The financial statements have been prepared mainly on the historical costs basis. Other measurement bases used are described in the applicable notes.

d. Use of estimates:

Preparing financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Significant management estimates are used in the assessment of impairment and useful lives of, long-lived assets, net realizable value of work in process, and in the estimated final costs to complete contracts accounted for under the percentage-of-completion method.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 3 (c) – Work in process
- Note 3 (l) – Impairment
- Note 3 (m) – Revenue recognition

e. Functional and presentation currency:

These consolidated financial statements are presented in United States dollars, which is the Company’s functional currency. All financial information presented in United States dollars has been rounded to the nearest thousand.

f. Foreign currency translation:

Items included in the financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in net loss for the period.

Assets and liabilities of entities with functional currencies other than United States dollars are translated at the period end rates of exchange, and the results of their operations are translated at exchange rates prevailing at the dates of transactions. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity.

3. Summary of significant accounting policies:

a. Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Intermap Technologies Inc. and Intermap Federal Services Inc. (both U.S.

corporations); Intermap Technologies GmbH (a German corporation); Intermap Technologies UK Limited (a U.K. corporation); Intermap Technologies PTY Ltd (an Australian corporation); Intermap Technologies s.r.o. (a Czech Republic corporation); Intermap Technologies s.r.o. Slovak Republic (a Slovak Republic corporation); and a 90% owned subsidiary, PT ExsaMap Asia (an Indonesian corporation).

Inter-company balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The accounting policies of all subsidiaries are consistent with the Company's policies.

b. Cash and cash equivalents:

Cash and cash equivalents include unrestricted cash balances and highly liquid marketable securities with maturity at the date of purchase of 30 days or less.

c. Work in process:

Work in process is measured at the lower of cost or net realizable value. When work in process is sold, the carrying amount of the work in process is recognized as an expense in the period in which the related revenue is recognized. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completing and selling expenses. The amount of any write-down of work in process to net realizable value is recognized as an expense in the period in which the write-down or loss occurs.

d. Property and equipment:

Property and equipment are measured at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of aircraft overhauls are capitalized and depreciated over the period until the next overhaul. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items. Depreciation is calculated over the depreciable amount which is the cost of an asset, less its residual value.

Depreciation is provided on the straight-line basis over the useful lives of the assets at the following annual rates:

Assets	Rate
Aircraft	9 %
Aircraft engines	15%
Mapping equipment and software	33%
Radar equipment	20%
Furniture and fixtures	20%
Automobiles	20%
Leasehold improvements	Shorter of useful life or term of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate.

Assets under construction are not depreciated until available for use by the Company. Expenditures for maintenance and repairs are expensed when incurred.

The cost of replacing an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in profit or loss as incurred.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net of costs associated with the disposal within other income in net loss for the period.

e. Non-current assets held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Company's accounting policies. Thereafter the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

f. Data library:

The Company maintains a data library, which results from the acquisition and processing of digital map data. In general, all ownership rights to this data are retained by the Company, and the data is licensed to customers on a non-transferable basis.

Capitalized costs represent all of the direct costs of acquiring and processing the digital map data. These costs include direct overhead associated with the acquisition and processing of the data and the depreciation of the property and equipment used in the production of the data.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred.

Data library capitalized costs are amortized on a straight-line basis over five years. The amortization period represents the minimum estimated useful life over which benefits from the data are expected to be derived. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the data library, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The carrying value of the data library is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

g. Intangible assets:

Identifiable intangible assets represent assets acquired in a business combination, and internally developed assets. Upon acquisition, identifiable intangible assets are recorded at fair value and are carried at cost less accumulated amortization. These intangible assets held by the Company are amortized on a straight-line basis, based on their estimated useful life of the asset.

The intangible assets acquired in a business combination represent technology, customer relationships and contracts and are amortized over a period of five years.

The intangible assets internally developed represent Web site development costs, and are amortized over a period of three years. The amortization method, estimate of the useful life, and residual values of intangible assets are reviewed annually.

h. Leases:

Leases are classified as either finance or operating in nature.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease (net of any incentives received from the lessor) are recognized in net loss on a straight-line basis over the period of the lease.

Finance leases are those that substantially transfer the benefits and risks of ownership to the lessee. Assets acquired under finance leases are measured at the lower of the present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Obligations recorded under finance leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to finance costs.

i. Provisions:

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

Restructuring:

A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Onerous Contracts:

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognizes any impairment loss on the assets associated with the contract.

j. Deferred lease inducements:

Deferred lease inducements represent the unamortized cost of lease inducements on certain of the Company's leased commercial office space. Amortization is provided on the straight-line basis over the term of the lease and recognized as a reduction in rent expense.

k. Income taxes:

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l. Impairment:

The carrying values of all property and equipment, data library and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or CGU).

An impairment loss is recorded when the recoverable amount of an asset or its CGU is less than its carrying amounts. Impairment losses are evaluated for potential reversals when events or changes in circumstances warrant such consideration.

m. Revenue recognition:

Revenue is recognized when (i) persuasive evidence of an arrangement exists; (ii) the significant risks and rewards of ownership have been transferred to the buyer; (iii) the amount of revenue can be measured reliably; and (iv) costs incurred or to be incurred can be measured reliably. Billings in excess of revenue are recorded as deferred revenue. Revenue recognized in excess of billings is recorded as unbilled revenue.

Goods Sold:

Revenue from the sale of data in the ordinary course is measured at the fair value of the consideration received or receivable.

Subscriptions:

Revenue from data sold on a subscription basis is recognized straight-line over the term of the agreement.

Fixed-price Contracts:

Revenue from fixed-price contracts is recognized using the percentage-of-completion method, based on the ratio of costs incurred to estimated final costs. The use of the percentage of completion method requires estimates to determine the cost to complete each contract. The stage of completion is determined by costs incurred and labor hours worked in comparison to total expected costs and hours. These estimates are reviewed monthly and adjusted as necessary. Provisions for estimated losses, if any, are recognized in the period in which the loss is determined. Contract losses are measured in the amount by which the estimated costs of the related project exceed the estimated total revenue for the project.

Multiple Component Arrangements:

When a single sales transaction requires the delivery of more than one product or service (multiple components), the revenue recognition criteria are applied separately to identifiable components. A component is considered to be separately identifiable if the product or service delivered has stand-alone value to that customer. The consideration is allocated to deliverables based on their relative fair values. The fair value of each component is determined using vendor specific objective evidence, third party evidence of selling price, or estimated selling price.

n. Research and development:

Research costs are expensed as incurred. Development costs are expensed in the year incurred unless management believes a development project meets the specified criteria for deferral and amortization.

o. Stock-based compensation:

The grant date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the company.

p. Earnings per share:

The basic earnings per share is computed by dividing net earnings (loss) by the weighted average number of common shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share, except the weighted average number of common shares outstanding are increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive.

q. Financial instruments:

Non-derivative financial assets:

The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the consolidated balance sheet when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

The Company has loans and receivables, non-derivative financial assets and non-derivative financial liabilities.

Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Non-derivative financial liabilities:

The Company initially recognizes debt liabilities on the date that they are originated. All other financial liabilities are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

The following is a summary of the classification the Company has applied to each of its significant categories of financial instruments outstanding:

Financial instrument:	Classification:
Cash and cash equivalents	Loans and receivables
Amounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Note payable	Other liabilities
Deposit	Other liabilities
Long-term debt	Other liabilities

r. Segments:

The operations of the Company are in one industry segment: digital mapping and related services.

4. Non-current assets held for sale:

During 2010, the Company committed to sell one of its IFSAR-enabled aircraft, which is no longer required subsequent to the completion of the NEXTMap USA and NEXTMap Europe datasets. The aircraft and IFSAR-enabled equipment had a carrying value of $1,142 and $346, respectively. The aircraft and associated IFSAR-enabled equipment were presented within current assets as non-current assets held for sale on the December 31, 2010, condensed consolidated balance sheet. The Company received a payment of $4,000 from the purchaser in December 2010, and such payment was presented in the December 31, 2010, condensed consolidated balance sheet within current liabilities as deposit for sale of assets, pending delivery of the aircraft and associated radar equipment to the customer, and also the receipt of certain governmental approvals associated with the sale and usage of the radar equipment. The aircraft ownership and associated IFSAR-enabled equipment were transferred to the buyer in June 2011, subsequent to the receipt of the necessary governmental approvals, and the Company recorded a gain on the sale of $2,513.

5. Property and equipment:

Property and equipment	Aircraft	Mapping equipment	Furniture, fixtures & auto	Leases	Under construction	Total
Balance at January 1, 2010	$ 6,180	$ 6,278	$ 143	$ 310	$ 391	$ 13,302
Additions	-	142	-	370	873	1,385
Disposals	-	(8)	-	(84)	-	(92)
Depreciation	(1,063)	(3,242)	(66)	(196)	-	(4,567)
Capitalized depreciation (Note 6)	-	(632)	-	-	-	(632)
Transfer from under construction	-	1,233	-	-	(1,233)	-
Transfer to held for sale	(1,488)	-	-	-	-	(1,488)
Balance at December 31, 2010	3,629	3,771	77	400	31	7,908
Additions	-	102	-	42	-	144
Finance Lease	-	614	-		-	614
Disposals	-	(16)	-	-	-	(16)
Depreciation	(661)	(2,518)	(46)	(152)	-	(3,377)
Transfer from under construction	-	31	-	-	(31)	-
Balance at December 31, 2011	$ 2,968	$ 1,984	$ 31	$ 290	$ -	$ 5,273

The gross amount of property and equipment at December 31, 2011, was $41,088 (year ended December 31, 2010 – $40,507). The accumulated depreciation at December 30, 2011, was $35,815 (year ended December 31, 2010 – $32,599).

6. Data library:

Data library	
Balance at January 1, 2010	$ 87,520
Direct costs and overhead	4,605
Capitalized depreciation (Note 5)	632
Amortization	(14,346)
Impairment charge	(55,362)
Balance at December 31, 2010	23,049
Amortization	(4,610)
Balance at December 31, 2011	$ 18,439

The following table outlines the charges associated with the impairment for the year ended December 31, 2010:

	December 31, 2010	
	NEXTMap USA	NEXTMap Europe
Historical Cost	$ 81,064	$ 39,266
Accumulated Amortization	(30,562)	(11,357)
Impairment charge	(37,557)	(17,805)
Net book value	$ 12,945	$ 10,104

In December of 2010, a strategic review of the Company's approach to selling the NEXTMap datasets in the United States and Europe was undertaken by the new executive management of the Company. Upon completion of this review, it was determined that the historical pricing strategy of the NEXTMap datasets required downward adjustment, and the Company could no longer afford to invest the resources necessary to exploit certain target markets previously identified. As a result, an impairment test was triggered and a review was performed during the fourth quarter of 2010 to determine if the carrying value of the NEXTMap USA and NEXTMap Europe asset groups were recoverable.

The Company reviewed its cash-generating units which represent the smallest group of assets that generate cash in-flows from continuing use that are largely independent of the cash flows of other assets. The Company determined that an impairment test was required for its NEXTMap Europe, NEXTMap USA, and contract services cash-generating units.

The recoverable amount of the NEXTMap datasets was determined using the value in use of each of the cash-generating units. Value in use was determined by discounting the future cash flows generated from continuing use of the unit. The calculation of value in use was based on the following key assumptions for all units:

- Cash flows were projected based on past experience, actual operating results, and the business plans of the Company.
- Cash flows were projected for a period of five years being the minimum expected useful life of each unit. Five years was used as this period coincided with the Company's business plans and the expected minimum useful life of the assets. The assets were recently completed or completion is in progress, and a steady rate of growth has not been achieved.
- The revenues were based on specific opportunities identified, historical experience, and market studies.
- Costs have been estimated based on the Company's strategic plans and estimated effort involved in achieving the forecasted revenues.
- A pre-tax discount rate of 9% was applied in determining the recoverable amount. The discount rate was estimated based on past experience, current rates of interest, the current market place, current offers received for capital.

The values assigned to the key assumptions represent management's assessment of future trends in the mapping industry, and are based on external and internal sources.

The Company determined the future expected cash flows generated by the datasets were insufficient to recover the carrying value of the assets, resulting in an impairment charge during the year ended December 31, 2010. The impairment charge was included in net loss for the year ended December 31, 2010.

The Company determined that no further impairment had occurred as of December 31, 2011.

7. Intangible assets:

Intangible Assets	Acquired	Internally developed	Total
Balance at January 1, 2010	$ 1,056	-	$ 1,056
Amortization	(471)	-	(471)
Effect of movements in exchange rates	(34)	-	(34)
Balance at December 31, 2010	$ 551	$ -	$ 551
Additions	-	242	242
Amortization	(480)	(15)	(495)
Effect of movements in exchange rates	(8)	-	(8)
Balance at December 31, 2011	$ 63	$ 227	$ 290

The gross amount of intangible assets at December 31, 2011, was $2,306 (year ended December 31, 2010 – $2,072). The accumulated amortization at December 31, 2011, was $2,016 (year ended December 31, 2010 – $1,521).

8. Accounts payable and accrued liabilities:

		December 31, 2011		December 31, 2010		January 1, 2010
Accounts payable	$	2,384	$	716	$	1,280
Accrued liablities		2,665		2,410		4,364
Other taxes payable		48		15		192
Related company payable		-		-		80
	$	5,097	$	3,141	$	5,916

9. Note payable:

At December 31, 2011, note payable includes a promissory note with a service provider that defines the payment terms of an outstanding balance. The note bears interest at 5% per annum and is secured by a second priority lien in an aircraft owned by the Company. The terms of the note payable is 36 months ending November 2014. The principal balance of the promissory note at December 31, 2011, was $1,698, of which $68 is accrued interest (year ended December 31, 2010 – $1,639). There were no specific terms for repayment at December 31, 2010.

		December 31, 2011		December 31, 2010		January 1, 2010
Note Payable	$	1,698	$	1,639	$	-
		1,698		1,639		-
Less current portion		(69)		(1,639)		-
	$	1,629	$	-	$	-

10. Finance lease liabilities:

Finance lease liabilities are payable as follows:

	December 31, 2011						December 31, 2010					
		Future minimum lease payments		Interest (1)		Present value of minimum lease payments		Future minimum lease payments		Interest (2)		Present value of minimum lease payments
Less than one year (current portion)	$	381	$	58	$	323	$	162	$	11	$	151
Between one and five years (long-term portion)		276		14		262		45		4		41
	$	657	$	72	$	585	$	207	$	15	$	192

(1) Interest rates ranging from 12.93% to 17.0%.
(2) Interest rates ranging from 3.3% to 17.0%.

In September 2011, the Company entered into a finance lease to purchase $614 of data storage equipment and software. The lease bears interest at an implicit rate of 12.93% and is secured by the underlying asset. The lease matures in September 2013.

11. Long-term debt:

		December 31, 2011		December 31, 2010		January 1, 2010
Bank term loan	$	**643**	$	1,185	$	1,589
Term loans		**-**		-		915
		643		1,185		2,504
Less current portion		**(548)**		(527)		(1,383)
	$	**95**	$	658	$	1,121

In December 2007, the Company obtained a term loan from a Canadian bank in the amount of $2,522 ($2,500 CDN). The loan is repayable in monthly installments of $42 ($40 CDN) over a term of 60 months maturing on February 28, 2013. The loan bears interest at 6.25% and is secured by a general security agreement. An aircraft owned by the Company is listed as the primary collateral under the general security agreement.

Principal repayments of long-term debt are as follows:

Twelve months ended December 31,		
2012	$	548
2013		95
	$	643

12. Operating costs:

For the twelve months ended December 31,		2011		2010
Personnel (1)	**$**	**16,990**	$	21,063
Purchased services & materials (2)		**10,185**		9,965
Travel		**1,620**		1,659
Facilities and other expenses (3)		**2,581**		3,694
	$	**31,376**	$	36,381

(1) Includes $1,266 and $1,421 of separation costs during the twelve months ended December 31, 2011 and 2010, respectively.
(2) Purchased services and materials include aircraft costs, project costs, professional and consulting fees, and selling and marketing costs.
(3) Includes $349 and $48 of facility closure costs during the twelve months ended December 31, 2011 and 2010, respectively.

13. Share capital:

a. Authorized:

The authorized share capital of the Company consists of an unlimited number of Class A common shares and an unlimited number of Class A participating preferred shares. There are no Class A participating preferred shares outstanding.

b. Issued:

	December 31, 2011			December 31, 2010		
Class A common shares	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period	**60,796,507**	**$**	**187,253**	52,432,037	$	181,623
Stock-based compensation	**1,484,027**		**597**	239,470		198
Restricted shares held in escrow	**582,700**		**-**	-		-
Issuance of shares	**16,125,000**		**6,791**	8,125,000		6,157
Compensation warrants issued to agent	**-**		**(265)**	-		-
Issuance costs	**-**		**(384)**	-		(725)
Balance, end of period	**78,988,234**	**$**	**193,992**	60,796,507	$	187,253

On December 12, 2011, 28,351 Class A common shares were issued to an employee of the Company as compensation for services. Compensation expense of $6 for these Class A common shares is included in operating costs (see Note 13(f)).

On August 23, 2011, 498,429 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $171 for these Class A common shares is included in operating costs (see Note 13(e)).

On June 2, 2011, the Company issued 450,000 Class A common shares pursuant to a three-year employment agreement with the Company's Chief Executive Officer (CEO). The shares are held by a third party escrow agent pursuant to an Escrow Agreement (see Note 13(j)) and can be released from escrow upon the achievement of certain market performance conditions.

On June 2, 2011, the Company issued 384,615 Class A common shares to be issued in exchange for compensation for employment services provided during the first year of the three year employment agreement with the Company's Chief Executive Officer. The shares are held by a third party escrow agent pursuant to an Escrow Agreement (see Note 13(j)), and are released in quarterly installments equivalent to $37.5, less applicable withholding taxes. As of December 31, 2011, 251,915 shares have been released for services rendered.

On June 2, 2011, 20,656 Class A common shares were issued to a director of the Company as compensation for services. Compensation expense of $8 for these Class A common shares is included in operating costs (see Note 13(e)).

On April 29, 2011, the Company completed a private placement resulting in the issuance of 16,125,000 Units for aggregate consideration of $6,791. Each Unit had a purchase price of $0.40 CDN and consisted of one Class A common share of the Corporation and one Class A common share purchase warrant. Each warrant entitles the holder to purchase one Class A common share at a purchase price of $0.48 CDN per share for a period of three years from the issue date. In addition, the Corporation paid agency fees of $384 and 1,225,000 warrants to a third party for services rendered in connection with the transaction. The agency fee warrants were issued on the same terms as the private placement warrants with an exercise price of $0.48 CDN. The Company recorded non-cash issuance costs related to this award based on the fair value of the award at the date of the closing of $265, bringing the total costs of the issuance to $649. The securities issued in connection with the private placement contain certain restrictions associated with the resale of the shares.

On March 15, 2011, 79,689 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $33 for these Class A common shares is included in operating costs (see Note 13(e)).

On March 15, 2011, 548,376 Class A common shares were issued to employees of the Company as compensation for services. Compensation expense of $263 for these Class A common shares is included in operating costs (see Note 13(f)).

On February 28, 2011, 56,611 Class A common shares were issued to an employee of the Company as compensation for services. Compensation expense of $30 for these Class A common shares is included in operating costs (see Note 13(f)).

On October 1, 2010, 136,770 Class A common shares were issued to employees of the Company as compensation for services. Compensation expense of $98 for these Class A common shares is included in operating costs (see Note 13(f)).

On July 6, 2010, the Company issued, on a bought deal basis, 8,125,000 Class A common shares at a price of $0.80 CDN per Class A common share, representing gross proceeds to the Company of $6,157 ($6,500 CDN).

In connection with the share issuance, the Company issued a compensation option to its underwriters entitling them to purchase an aggregate of 500,000 Class A common shares at a price of $0.80 CDN per Class A common share at any time for a period of 12 months following the closing of the offering. The Company recorded non-cash issuance costs related to these awards based on the fair value of the award at the date of the closing of $110, bringing total costs of the issuance to $725.

On June 30, 2010, 102,700 Class A common shares were issued to non-employee directors of the Company as compensation for services. Compensation expense of $100 for these Class A common shares is included in operating costs (see Note 13(e)).

c. Contributed surplus:

		December 31, 2011		December 31, 2010
Balance, beginning of period	**$**	**8,700**	$	7,858
Stock-based compensation		**698**		732
Compensation warrants issued to agent/underwriter		**265**		110
Balance, end of period	**$**	**9,663**	$	8,700

d. Loss per share:

The calculation of loss per share is based on the weighted average number of Class A common shares outstanding. Where the impact of the exercise of options or warrants is anti-dilutive, they are not included in the calculation of diluted loss per share. The Company has incurred a net loss for each period presented and the inclusion of outstanding options and warrants in the loss per share calculation are considered to be anti-dilutive and are therefore not included in the calculation.

The underlying Class A common shares pertaining to 5,489,220 outstanding share options and 17,375,000 outstanding warrants could potentially dilute earnings.

e. Director's share compensation plan:

The Company has a director's share compensation plan allowing for the issuance of up to 400,000 shares of the Company's Class A common shares to non-employee directors of the Company as part of their annual compensation. At the Annual General and Special Meeting of the Shareholders on August 3, 2011, the amended share compensation plan was approved to increase the maximum number of Class A common shares of the Corporation issuable there under from 400,000 to 1,400,000. As of December 31, 2011, 517,098 Class A common shares remain available under the plan. Compensation expense for issued shares is included in operating costs.

f. Employee share compensation plan:

The Company established an employee share compensation plan to compensate employees for services performed. The plan was approved by the shareholders of the Company at the Annual General Meeting on May 12, 2009. The plan permits the issuance of up to 1,500,000 shares of the Company's Class A common shares to employees. At the Annual General and Special Meeting of the Shareholders on August 3, 2011, an amended share compensation plan was approved to increase the maximum number of Class A common shares of the Corporation issuable there under from 1,500,000 to 4,000,000. As of December 31, 2011, 2,809,906 Class A common shares remain available for issuance under the plan. Compensation expense for issued shares is included in operating costs.

g. Share option plan:

The Company established a share option plan to provide long-term incentives to attract, motivate, and retain certain key employees, officers, directors, and consultants providing services to the Company. The plan permits the granting of options to purchase up to 10% of the outstanding Class A common shares of the Company. As of December 31, 2011, 7,898,823 Class A common shares were authorized under the plan, of which 25,000 warrants (See Note 13(i)) and 5,489,220 share options are issued and outstanding and 2,384,603 options remain available for future issuance. Under the plan, no one individual shall be granted an option which exceeds 5% of the issued and outstanding Class A common shares of the Company. In addition, the exercise price of each option shall not be less than the market price of the Company's Class A common shares on the date of grant. The options are exercisable for a period of not greater than six years, and generally vest over a period of one to four years. Options granted to directors generally vest on the date of the grant and expire on the fifth anniversary of the date of such grant.

The following table summarizes information regarding share options outstanding at December 31, 2011:

	December 31, 2011			December 31, 2010		
	Number of shares under option		**Weighted average exercise price (CDN)**	Number of shares under option		Weighted average exercise price (CDN)
Options outstanding, beginning of period	**3,844,800**	**$**	**3.98**	4,135,217	$	4.42
Granted	**3,624,050**		**0.45**	677,000		0.76
Expired	**(1,468,875)**		**5.46**	(337,942)		5.39
Forfeitures	**(510,755)**		**1.66**	(629,475)		2.64
Options outstanding, end of period	**5,489,220**	**$**	**1.49**	3,844,800	$	3.98
Options excercisable, end of period	**2,114,910**	**$**	**2.97**	2,686,275	$	4.93

Exercise Price (CDN$)	Options outstanding	Weighted average remaining contractual life	Options exercisable
0.25	20,000	5.69 years	-
0.33	200,000	4.63 years	200,000
0.43	1,498,740	5.25 years	372,760
0.46	1,030,730	5.96 years	-
0.48	450,000	5.01 years	-
0.50	450,000	4.94 years	112,500
0.66	300,000	4.81 years	75,000
1.49	143,000	2.95 years	110,250
1.60	76,000	4.05 years	26,500
1.84	347,500	4.00 years	262,150
2.36	55,000	3.87 years	55,000
2.98	61,000	2.70 years	61,000
4.16	100,000	2.39 years	82,500
5.75	228,750	1.20 years	228,750
5.95	20,000	1.41 years	20,000
6.30	508,500	0.36 years	508,500
	5,489,220	4.39 years	2,114,910

During the twelve months ended December 31, 2011, 3,624,050 (year ended December 31, 2010 – 677,000) options were granted at a weighted-average fair value of $0.43 per share (year ended December 31, 2010 – $0.48 per share), determined using the Black-Scholes option pricing model on the date of grant with the following assumptions: expected dividend yield 0% (year ended December 31, 2010 – 0%), risk-free interest rate ranging from 1.92% to 3.04% (year ended December 31, 2010 – 2.37% to 3.07%), volatilities ranging from 68.1% to 79.9% (year ended December 31, 2010 – 69.1% to 70.3%), and an expected life of six years. The estimated forfeiture rate was 5.43% (year ended December 31, 2010 – 4.11%).

h. Share-based compensation expense:

Non-cash compensation expense has been included in operating costs with respect to share options and shares granted to employees and non-employees as follows:

December 31		2011		2010
Employees	$	770	$	859
Non-employees		241		209
Non-cash compensation	$	1,011	$	1,068

i. Class A common share purchase warrants:

A summary of the status of Class A common share purchase warrants is as follows:

	December 31, 2011	December 31, 2010
Balance, beginning of year	575,000	3,200,000
Issued	17,350,000	500,000
Expired	(550,000)	(3,125,000)
Balance, end of year	17,375,000	575,000

Each warrant entitles its holder to one Class A common share upon payment of an exercise price ranging from $0.40 CDN to $1.90 CDN (year ended December 31, 2010 – $0.80 CDN to $7.75 CDN), with a weighted average exercise price of $0.48 CDN (year ended December 31, 2010 – $1.45 CDN). The outstanding warrants expire as follows: 25,000 on May 15, 2012; and 17,350,000 on April 28, 2014.

j. Restricted shares:

In connection with the three year employment agreement dated December 3, 2010 entered into with the Company's CEO, the Company issued 450,000 Class A common shares to him during the quarter ended June 30, 2011, and such shares are held by a third party agent pursuant to an Escrow Agreement. The Escrow Agreement provides that up to 450,000 shares are to be released only upon the achievement of certain market performance conditions based on the performance of the Company's share price. The grant date fair value of the restricted shares was $118 and will be charged to non-cash compensation expense over the vesting period, which was determined to be 28 months. The Board of Directors believes that this arrangement is effective in aligning the interests of the CEO with the long-term interests of the shareholders of the Company.

14. Income taxes:

a. Current tax expense:

December 31		2011		2010
Current period	$	147	$	57
Adjustment for prior periods		23		-
	$	170	$	57

b. Deferred tax expense:

December 31		2011		2010
Origination and reversal of temporary differences	$	(80)	$	6

c. Reconciliation of effective tax rate:

Income tax expense varies from the amount that would be computed by applying the basic federal and provincial income tax rates to the net loss before taxes as follows:

December 31,		2011		2010
Losses, excluding income tax	$	**(13,506)**	$	(97,778)
Tax rate		**26.5%**		28.6%
Expected Canadian income tax (recovery) expense	$	**(3,579)**	$	(27,965)
Decrease resulting from:				
Change in unrecognized temporary differences		**5,176**		32,746
Change in Canadian statutory rate		**44**		922
Difference between Canadian statutory rate and those applicable to U.S. and other foreign subsidiaries		**(1,870)**		(6,142)
Security issuance costs recorded in equity		**(172)**		(173)
Non-deductible expenses and non-taxable income		**139**		50
Foreign exchange		**12**		(20)
Adjustment for prior years income tax matters		**340**		360
Other		**-**		285
	$	**90**	$	63

d. Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items:

December 31		2011		2010
Deductible temporary differences	$	**70,037**	$	61,906
Tax loss carryforwards		**127,214**		122,525
	$	**197,251**	$	184,431

The deferred tax asset is recognized when it is probable that future taxable profit will be available to utilize the benefits. The Company has not recognized deferred tax assets with respect to these items due to the uncertainty of future Company earnings.

At December 31, 2011 approximately $129,037 of loss carry forwards and $1,797 of tax credits were available in various jurisdictions. A summary of losses by year of expiry are as follows:

Twelve months ended December 31,		
2014		1,614
2015		2,816
2018		3,135
2020-2031		121,472
	$	129,037

e. Recognized deferred tax assets and liabilities:

Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Deferred tax assets and liabilities recognized at December 31, 2011 and 2010, are as follows:

	Assets		Liabilities		Net	
December 31,	**2011**	2010	**2011**	2010	**2011**	2010
Property and equipment	**$ -**	$ -	**$ 692**	$ 924	**$ 692**	$ 924
Intangible assets	**(5)**	(5)	**13**	93	**8**	88
Tax loss carryforwards	**(692)**	(924)	**-**	-	**(692)**	(924)
Tax (assets) liabilities	**$ (697)**	$ (929)	**$ 705**	$ 1,017	**$ 8**	$ 88

15. Commitments:

The Company has commitments related to operating leases for office space and equipment which require the following payments for each year ending December 31:

2012	$	1,242
2013		957
2014		774
2015		550
2016		372
	$	3,895

During the year ended December 31, 2011, the Company recognized $1,767 (year ended December 31, 2010 - $3,039) in operating lease expense for office space.

16. Restructuring:

In the fourth quarter of 2009, the Company announced an organizational restructuring to reduce the capacity of data collection and production operations. This restructuring program included workforce reductions and the closure of the Company's Ottawa, Canada facility. The Company incurred additional restructuring costs in connection with a further reduction of data collection and production operations personnel in January 2010 as a continuation of the 2009 actions.

In September 2010, the Company announced and completed a second organizational restructuring. Total employee headcount was decreased by 17%, including a significant reduction at the executive level. The restructuring followed the Company's completion of the NEXTMap Europe and NEXTMap USA datasets, and supported the Company's efforts to lower overall operating expenses and preserve cash.

In January 2011, the Company announced and completed an additional organizational restructuring. Total employee headcount was decreased by 30% in the Company's North American and European offices and 42% in its Indonesian office.

In June 2011, in an effort to continue to transform into a sales- and marketing-driven organization, the Company announced the closure and liquidation of its Munich, Germany operations. The closure allows the Company to increase its sales agility on a distributed basis throughout Europe in the short-term while reducing fixed operating costs for the long-term.

A summary of the cost related to the restructuring events is as follows:

	Workforce Reduction	Excess Facility	Total
Amounts recorded for the twelve months ended December 31, 2010	$ 1,421	$ 406	$ 1,827
Amounts recorded for the twelve months ended December 31, 2011	1,266	349	1,615
Total	$ 2,687	$ 755	$ 3,442

At December 31, 2011, the provision associated with the restructuring and other related charges consisted of the following:

	Workforce Reduction	Excess Facility	Total
Balance at January 1, 2010	$ 442	$ 714	$ 1,156
2010 provisions	1,421	406	1,827
Payments	(1,035)	(308)	(1,343)
Balance at December 31, 2010	828	812	1,640
2011 provisions	1,266	349	1,615
Payments	(1,915)	(229)	(2,144)
Balance at December 31, 2011	179	932	1,111
Current portion of provisions	172	716	888
Long-term provisions	7	216	223
	$ 179	$ 932	$ 1,111

The workforce reduction accrual of $179 is scheduled to be paid in installments through January 2013. The excess facility accrual of $932 is scheduled to be relieved by November 2013, the Ottawa, Canada lease termination date. The Munich, Germany lease termination date is August 2012. Total restructuring related costs of $1,615 are recorded in operating costs for the year ended December 31, 2011 (year ended December 31, 2010 – $1,827).

17. Segmented information:

The operations of the Company are in one industry segment: digital mapping and related services.

Geographic segments of revenue are as follows:

Year ended December 31,	Contract Services 2011	Data Licenses 2011	Contract Services 2010	Data Licenses 2010
United States	**$ 780**	**$ 7,548**	$ 2,352	$ 1,853
Asia/Pacific	**8,611**	**2,193**	805	2,631
Europe	**1,422**	**3,513**	1,123	5,168
	$ 10,813	**$ 13,254**	$ 4,280	$ 9,652

Property and equipment of the Company are located as follows:

December 31,	2011	2010
Canada	**$ 258**	$ 748
United States	**4,774**	6,662
Asia/Pacific	**218**	418
Europe	**23**	80
	$ 5,273	$ 7,908

The data library is located in the United States; the intangible assets are located in the Czech Republic and United States.

A summary of sales to major customers that exceeded 10% of total sales during each period are as follows:

Year ended December 31,	2011	2010
Customer A	**$ 8,817**	$ 10
Customer B	**247**	2,080
Customer C	**573**	1,752
Customer D	**929**	1,267
Customer E	**131**	1,120
Customer F	**-**	692
	$ 10,697	$ 6,921

18. Financial risk management:

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk, and capital risk. Management, the Board of Directors, and the Audit Committee monitor risk management activities and review the adequacy of such activities. This note presents information about the Company's exposure to each of the risks as well as the objectives, policies and processes for measuring and managing those risks.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

a. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Such risks arise principally from certain financial assets held by the Company consisting of outstanding trade receivables and investment securities.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk.

Approximately 43 percent of the Company's revenue is attributable to transactions with four key customers (year ended December 31, 2010 - 50 percent of the revenue was attributable to five key customers); however, geographically there is no concentration of credit risk.

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered.

A significant portion of the Company's customers have transacted with the Company in the past or are reputable large Companies and losses have occurred infrequently.

The maximum exposure to credit risk of the Company at period end is the carrying value of these financial assets.

i. Trade receivables

Provisions for doubtful accounts are made on a customer-by-customer basis. All write downs against receivables are recorded within sales, general and administrative expense in the statement of operations. The Company is exposed to credit-related losses on sales to customers outside North America due to potentially higher risks of collectability.

Amounts receivable as of December 31, 2011, and December 31, 2010, consist of:

	December 31, 2011	December 31, 2010	January 1, 2010
Trade amounts receivable	**$ 5,222**	$ 3,991	$ 11,982
Employee receivables	**16**	23	51
Other miscellaneous receivables	**274**	142	237
	$ 5,512	$ 4,156	$ 12,270

Trade amounts receivable by geography consist of:

	December 31, 2011	December 31, 2010	January 1, 2010
United States	**$ 1,704**	$ 166	$ 8,863
Canada	**22**	-	-
Asia/Pacific	**2,005**	2,284	2,550
Europe	**1,491**	1,541	569
	$ 5,222	$ 3,991	$ 11,982

An aging of the Company's trade amounts receivable are as follows:

	December 31, 2011	December 31, 2010	January 1, 2010
Current	**$ 3,612**	$ 1,968	$ 9,068
31-60 days	**1,034**	768	417
61-90 days	**112**	73	1,208
Over 91 days	**464**	1,182	1,289
	$ 5,222	$ 3,991	$ 11,982

As of December 31, 2011, $576 of trade amounts receivable (year ended December 31, 2010 - $1,255) were past due. The balance of the past due amounts relate to reoccurring, and historically slow paying customers and are considered collectible.

ii. Investments in securities

The Company manages its credit risk surrounding cash and cash equivalents by dealing solely with what management believes to be reputable banks and financial institutions, and limiting the allocation of excess funds into financial instruments that management believes to be highly liquid, low risk investments. The balance at December 31, 2011, is held in cash at banks within the United States, Canada, Europe, Asia, and Australia to facilitate the payment of operations in those jurisdictions.

b. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holding of financial instruments.

i. Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily the Canadian dollar, Euro, British pound, Indonesian rupiah, Czech Republic koruna, and Australian dollar. Foreign exchange risk arises from sales and purchase transactions as well as recognized financial assets and liabilities that are denominated in a currency other than the United States dollar, which is the functional currency of the Company and its subsidiaries.

The Company's primary objective in managing its foreign exchange risk is to preserve sales values and cash flows and reduce variations in performance. Although management monitors exposure to such fluctuations, it does not employ any external hedging strategies to counteract the foreign currency fluctuations. The balances in foreign currencies at December 31, 2011, are as follows:

(in USD)	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna	Australian Dollar
Cash and cash equivalents	$ 6	$ 147	$ -	$ 4	$ 49	$ (5)
Amounts receivable	229	1,109	146	50	220	-
Accounts payable and accrued liabilities	(709)	(602)	(426)	(181)	(194)	(6)
Bank, term loans, and finance leases	(643)	-	-	-	-	-
	$ (1,117)	$ 654	$ (280)	$ (127)	$ 75	$ (11)

The balances in foreign currencies at December 31, 2010, are as follows:

(in USD)	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna	Australian Dollar
Cash and cash equivalents	$ (39)	$ 293	$ 2	$ 11	$ 31	$ 37
Amounts receivable	120	1,359	36	9	79	5
Accounts payable and accrued liabilities	(1,122)	(585)	(62)	(201)	(140)	(8)
Bank, term loans, and finance leases	(1,185)	-	-	-	-	-
	$ (2,226)	$ 1,067	$ (24)	$ (181)	$ (30)	$ 34

The balances in foreign currencies at January 1, 2010, are as follows:

(in USD)	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna	Australian Dollar
Cash and cash equivalents	$ 1,902	$ 356	$ 20	$ 12	$ 197	$ 1,409
Amounts receivable	45	1,982	74	32	238	-
Accounts payable and accrued liabilities	(914)	(489)	(44)	(158)	(338)	(193)
Bank, term loans, and finance leases	(1,605)	-	-	-	-	-
	$ (572)	$ 1,849	$ 50	$ (114)	$ 97	$ 1,216

The Company is exposed to currency risks primarily from the fluctuation of future cash flows of its Canadian-dollar-denominated long-term debt and obligations under capital lease due to changes in foreign exchange rates.

Based on the net exposures at December 31, 2011 and 2010, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the United States dollar against the following currencies would result in an increase / (decrease) in net earnings by the amounts shown below:

December 31, 2011 (in USD)	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna	Australian Dollar
United States dollar:						
Depreciates 10%	$ 112	$ (65)	$ 28	$ 13	$ (7)	$ 1
Appreciates 10%	(112)	65	(28)	(13)	7	(1)

December 31, 2010 (in USD)	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna	Australian Dollar
United States dollar:						
Depreciates 10%	$ 223	$ (107)	$ 2	$ 18	$ 3	$ (3)
Appreciates 10%	(223)	107	(2)	(18)	(3)	3

January 1, 2010 (in USD)	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna	Australian Dollar
United States dollar:						
Depreciates 10%	$ 57	$ (185)	$ (5)	$ 11	$ (10)	$ (122)
Appreciates 10%	(57)	185	5	(11)	10	122

ii. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include short-term highly liquid investments that earn interest at market rates. The Company does not have any debt instruments outstanding with variable interest rates at December 31, 2011, or December 31, 2010.

Financial liabilities that bear interest at fixed rates are subject to fair value interest rate risk. No currency hedging relationships have been established for the related monthly interest and principle payments.

The Company manages its interest rate risk by minimizing financing costs on its borrowings and maximizing interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's approach to managing capital is to ensure, as far as possible, that it will have sufficient liquidity to meets its obligations.

The Company manages its liquidity risk by evaluating working capital availability and forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2011, the Company has a cash and cash equivalent balance of $597 (year ended December 31, 2010 – $4,356) and working capital of negative $993 (year ended December 31, 2010 – negative $3,350). All of the Company's financial liabilities, other than note payable, provisions, long-term debt and obligations under capital lease, have a contractual maturity of less than 45 days.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as of December 31, 2011:

	Payment due:				
	In less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Accounts payable and accrued liabilities	$ 4,307	$ 790	$ -	$ -	$ -
Note payable	-	7	112	914	836
Provisions	470	174	244	223	-
Obliations under finance leases	95	95	191	276	-
Long-term debt	143	143	287	96	-
	$ 5,015	$ 1,209	$ 834	$ 1,509	$ 836

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as of December 31, 2010:

	Payment due:				
	In less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Accounts payable and accrued liabilities	$ 3,141	$ -	$ -	$ -	$ -
Note payable	1,639	-	-	-	-
Provisions	599	227	283	313	218
Obliations under finance leases	52	52	60	31	13
Long-term debt	147	147	293	586	98
	$ 5,578	$ 426	$ 636	$ 930	$ 329

d. Capital risk

The Company's objectives when managing its capital risk is to safeguard its assets, while at the same time maintaining investor, creditor, and market confidence, and to sustain future development of the business and ultimately protect shareholder value. The Company manages its risks and exposures by implementing the strategies below.

The Company includes shareholders' equity and long-term debt in the definition of capital. Total capital at December 31, 2011, was $22,415 (December 31, 2010 - $27,104 and January 1, 2010 - $119,044). To maintain or adjust the capital structure, the Company may issue new shares, issue new debt with different characteristics, acquire or dispose of assets, or adjust the amount of cash and short-term investment balances held.

The Company has established a budgeting and planning process with a focus on cash, working capital, and operational expenditures and continuously assesses its capital structure in light of current economic conditions and changes in the Company's short-term and long-term plans. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

e. Fair values

The carrying values of cash and cash equivalents, amounts receivable, unbilled revenue, accounts payable, accrued liabilities, and other long-term liabilities approximate their fair value given their relatively short period to maturity. The carrying value of long-term debt and obligations under finance leases approximates their fair value, as current market rates available to the Company are similar to those on the long-term debt and obligations under finance lease.

Financial instruments recorded at fair value on the Consolidated Balance Sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices;

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

There are no financial instruments measured at fair value other than cash which is classified as Level 1. During the year, there have been no transfers of amounts between any categories. There are no items classified in Level 2 or Level 3 as of December 31, 2011.

19. Key management personnel and director compensation:

The Company's compensation program specifically provides for total compensation for executive officers, which is a combination of base salary, performance-based incentives and benefit programs that reflect aggregated competitive pay in light of business achievement, fulfillment of individual objectives and overall job performance. Executive officers participate in the Company's share compensation and share option plans (Note 13).

As of December 31, 2011, the Chief Executive Officer and Chief Financial Officer are each entitled an amount equal to one year's annual base salary in the event the Company were to terminate their employment agreement, other than due to a material breach of the employment agreement or in the event the Company becomes insolvent.

The compensation of non-employee directors consists of a cash component and a stock component. Directors participate in the Company's share option plan and director's share compensation plan (Note 13).

The following summarizes key management personnel and directors compensation for the years ended December 31, 2011 and 2010:

Year ended December 31,		2011		2010
Short-term employee benefits	$	1,620	$	1,760
Share-based payments		620		630
	$	2,240	$	2,390

The following summarizes key management personnel and directors share ownership of the Company as of December 31, 2011 and 2010:

December 31,	2011	2010
Number of Class A Common shares held	1,206,168	1,062,553
Percentage of total Class A Common shares issued	1.53%	1.75%

20. Transition to IFRS:

The Company has adopted IFRS effective January 1, 2010. The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, as well as for the comparative information for the year ended December 31, 2010, and in preparation of consolidated opening IFRS consolidated balance sheet at January 1, 2010, (the Company's date of transition to IFRS).

In preparing its opening IFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous GAAP. An explanation of how the transition from previous GAAP to IFRS has affected the Company's consolidated financial statements is included below and reconciliations are provided in Note 22.

a. Elected exemptions from full retrospective application:

In preparing these consolidated financial statements in accordance with IFRS 1, the Company has applied certain of the optional exemptions from full retrospective application of IFRS. The optional exemptions applied are described below.

i. **Business combinations:**

The Company has elected to not apply IFRS 3 Business Combinations retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date.

ii. **Cumulative translation differences:**

The Company has elected to set the cumulative translation account, which was included in accumulated other comprehensive income, to zero at January 1, 2010, and reclassified the cumulative translation balance into deficit. This exemption has been applied to all subsidiaries.

iii. **Share-based payment transactions:**

The Company has taken the IFRS 1 exemption, and elected to apply IFRS 2 Share-based Payment to equity instruments granted after November 7, 2002, that had not vested by the transition date.

iv. **Borrowing costs:**

The Company has elected to apply IAS 23 Borrowing costs prospectively as of the date of transition. Accordingly, the Company has not restated borrowing costs that were expensed prior to the transition date.

b. Mandatory exceptions to retrospective application:

i. **Estimates:**

The estimates previously made by the Company under GAAP are consistent with their application under IFRS.

21. Reconciliations of IFRS transition adjustments:

GAAP to IFRS Consolidated Balance Sheet reconciliation as of January 1, 2010, is as follows:

	Note	GAAP 1/1/2010	Effect of Transition to IFRS	IFRS 1/1/2010
Assets				
Current assets:				
Cash and cash equivalents		$ 10,355	-	$ 10,355
Amounts receivable		12,270	-	12,270
Unbilled revenue		343	-	343
Work in process		2,057	-	2,057
Prepaid expenses		1,481	-	1,481
		26,506	-	26,506
Property and equipment	*(a)*	13,380	(78)	13,302
Multi-client data library	*(b)*	85,276	2,244	87,520
Intangible assets	*(f)*	909	147	1,056
Deferred tax assets		136	-	136
		$ 126,207	**$ 2,313**	**$ 128,520**
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities		$ 5,916	-	$ 5,916
Current portion of provisions	*(d)*	-	398	398
Current portion of deferred lease inducements		171	-	171
Unearned revenue		674	-	674
Income taxes payable		42	-	42
Current portion of obligations under finance lease		229	-	229
Current portion of long-term debt		1,383	-	1,383
		8,415	398	8,813
Deferred lease inducements		129	-	129
Long-term provisions	*(d)*	-	316	316
Obligations under finance lease		130	-	130
Long-term debt		1,121	-	1,121
Deferred tax liabilities		218	-	218
		10,013	714	10,727
Shareholders' equity:				
Share capital		181,623	-	181,623
Contributed surplus	*(e)*	6,882	976	7,858
Deficit		(78,505)	6,670	(71,835)
Accumulated other comprehensive income	*(f)*	6,194	(6,047)	147
		116,194	1,599	117,793
		$ 126,207	**$ 2,313**	**$ 128,520**

GAAP to IFRS Consolidated Balance Sheet reconciliation as of December 31, 2010, is as follows:

	Note	GAAP 12/31/2010	Effect of Transition to IFRS	IFRS 12/31/2010
Assets				
Current assets:				
Cash and cash equivalents		$ 4,356	-	$ 4,356
Amounts receivable		4,156	-	4,156
Unbilled revenue		1,016	-	1,016
Work in process		59	-	59
Prepaid expenses		1,039	-	1,039
Non-current assets held for sale	*(a)*	1,700	(212)	1,488
		12,326	(212)	12,114
Property and equipment	*(a)*	7,766	142	7,908
Multi-client data library	*(b)*	23,049	-	23,049
Intangible assets	*(f)*	488	63	551
Deferred tax assets		5	-	5
		$ 43,634	**$ (7)**	**$ 43,627**
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	*(g)*	$ 4,250	(1,109)	$ 3,141
Current portion of provisions	*(g)*	-	1,109	1,109
Current portion of note payable		1,639	-	1,639
Current portion of deferred lease inducements		123	-	123
Unearned revenue		4,873	-	4,873
Deposits for sale of assets		4,000	-	4,000
Income taxes payable		50	-	50
Current portion of obligations under finance lease		151	-	151
Current portion of long-term debt		527	-	527
		15,613	-	15,613
Deferred lease inducements		286	-	286
Long-term provisions		531	-	531
Obligations under finance lease		41	-	41
Long-term debt		658	-	658
Deferred tax liabilities		93	-	93
		17,222	-	17,222
Shareholders' equity:				
Share capital		187,253	-	187,253
Contributed surplus	*(e)*	8,342	358	8,700
Deficit		(175,377)	5,701	(169,676)
Accumulated other comprehensive income	*(f)*	6,194	(6,066)	128
		26,412	(7)	26,405
		$ 43,634	**$ (7)**	**$ 43,627**

GAAP to IFRS Consolidated Statement of Comprehensive Income for year ended December 31, 2010, is as follows:

For the year ended December 31,	Note	GAAP 2010	Effect of Transition To IFRS	IFRS 2010
Revenue:				
Contract services		$ 4,280	$ -	$ 4,280
Data licenses		9,652	-	9,652
		13,932	-	13,932
Expenses:				
Operating costs	*(d), (e)*	37,711	(1,330)	36,381
Depreciation of property and equipment	*(a)*	4,577	(10)	4,567
Amortization of data library	*(b)*	14,702	(356)	14,346
Impairment of data library	*(b)*	52,762	2,600	55,362
Amortization of intangible assets	*(f)*	421	50	471
		110,173	954	111,127
Operating loss		(96,241)	(954)	(97,195)
Loss on disposal of equipment		(72)	-	(72)
Financing costs		(142)	-	(142)
Loss on foreign currency translation	*(f)*	(354)	(15)	(369)
Loss before income taxes		(96,809)	(969)	(97,778)
Income tax expense:				
Current		(57)	-	(57)
Deferred		(6)	-	(6)
		(63)	-	(63)
Net loss for the period		(96,872)	(969)	(97,841)
Other comprehensive income (loss)				
Foreign currency translation differences	*(f)*	-	(19)	(19)
Total comprehensive loss for the period		(96,872)	(988)	(97,860)
Deficit, beginning of period	*(f)*	(78,505)	6,670	(71,835)
Deficit, end of period		$ (175,377)	$ 5,701	$ (169,676)
Basic and diluted loss per share		$ (1.71)	$ (0.02)	$ (1.73)
Weighted average number of Class A common shares - basic and diluted (Note 10(d))		**56,502,778**	**-**	**56,502,778**

The following notes describe the adjustments required by the transition to IFRS:

a. Property and equipment:

Under IFRS, the Company is required to identify the significant components of property and equipment and depreciate these separately over their respective useful lives. Under previous GAAP, the standards were less specific as to the grouping of similar assets. Upon transition to IFRS, management determined that the aircraft and aircraft engines should be separate components and accounted for with differing useful lives. Under previous GAAP, the total value of the aircraft was amortized over 10 years. Upon transition to IFRS, aircraft and engines are required to be amortized separately and are being amortized over a period of 12 years for the aircraft and 7 years for the engines.

b. Data library:

The Company applied a sales forecast method of amortization for the data library under previous GAAP. Under IFRS, the Company will amortize this asset on a straight-line basis over its useful life. The net book value of the data library asset was increased by $2.2 million as of the transition date to retroactively apply the Company's amortization policy under IFRS.

c. Impairment of data library:

Under IFRS, the Company is required to assess the recoverability of the asset based on estimated discounted future cash flows produced by the data sets. The cash flows were discounted at a rate commensurate with the risk associated with the December 31, 2010 estimated future cash flows and assets. The Company determined the discounted future estimated cash flows of the datasets were insufficient to recover the carrying value of the assets, resulting in an impairment charge at December 31, 2010, of $55,362.

d. Restructuring:

In October of 2009, the Company announced a restructuring plan that included a reduction in workforce and the closure of the Company's Ottawa, Canada office. Under previous GAAP, a provision related to the expense for employee severance associated with the reduction was recorded. Under previous GAAP, a liability related to the Ottawa office lease was not recognized until the second quarter of 2010, when the Company ceased use of the facility.

Under IFRS, a provision is recorded for onerous contracts when it is likely that the expected costs of meeting the Company's obligation under the contract exceed the expected economic benefits. As a result, under IFRS, the provision for the excess costs over expected economic benefits associated with the Ottawa lease have been recognized as of January 1, 2010.

e. Share-based payments:

The Company awards share-based compensation to certain employees and non-employees. Under previous GAAP, the Company valued the awards in tranches based upon the awards' grant date. All tranches were valued using the best available estimate of the number of awards expected to vest and the expected life of each award. The resulting share-based compensation was recognized straight-line over the vesting period. Under IFRS, the Company must assign a fair value to each tranche of awards based on the expected life and the individual tranche. Share-based compensation is then recognized separately over the vesting period of each tranche.

f. Cumulative translation differences:

In accordance with IFRS 1, the Company has elected to deem all foreign currency translation differences that arose prior to the date of transition in respect of foreign operations to be zero at the date of transition.

IFRS does not distinguish between integrated and self-sustaining foreign operations. The current rate method is required to be applied to all entities where the functional currency is different from the presentation currency, resulting in an adjustment on transition to IFRS.

g. Presentation:

Certain amounts in the consolidated statement of comprehensive income have been reclassified to conform to the presentation adopted under IFRS. On the unaudited condensed consolidated interim statement of comprehensive income the Company has presented the expenses by nature. On the consolidated balance sheet certain current liabilities have been reclassified to conform to the presentation adopted under IFRS.

h. Cash flow impact:

There were no IFRS transition adjustments that impacted the cash balance in 2010. Financing costs, current income tax expense, interest paid, and income tax paid have been presented separately as adjustments for non-cash items. Under previous GAAP, these were included in changes in non-cash operating working capital. This presentation change will have no impact on the Company's cash flows from operating activities.

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