Consolidated Financial Statements of

INTERMAP TECHNOLOGIES CORPORATION

Years Ended December 31, 2017 and 2016

KPMG LLP
150 Elgin Street, Suite 1800
Ottawa ON K2P 2P8
Canada
Telephone 613-212-5764
Fax 613-212-2896

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Intermap Technologies Corporation

We have audited the accompanying consolidated financial statements of Intermap Technologies Corporation, which comprise the consolidated balance sheets as at December 31, 2017 and December 31, 2016, the consolidated statements of profit and loss and other comprehensive income, changes in shareholders' deficiency and cash flows for the years then ended, 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 audits 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 financial position of Intermap Technologies Corporation as at December 31, 2017 and December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

February 21, 2018

INTERMAP TECHNOLOGIES CORPORATION

Consolidated Balance Sheets
(In thousands of United States dollars)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash	**$ 6,363**	$ 6,527
Amounts receivable	**521**	600
Unbilled revenue	**65**	30
Prepaid expenses	**359**	409
	7,308	7,566
Property and equipment (Note 5)	**4,460**	1,457
	$ 11,768	$ 9,023
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities (Note 6)	**$ 4,011**	$ 3,555
Current portion of notes payable (Note 7(a))	**-**	5,864
Current portion of project financing (Note 7(b))	**1,303**	1,214
Current portion of deferred lease inducements	**30**	24
Unearned revenue	**1,604**	469
Warrant liability (Note 12)	**-**	137
Income taxes payable	**2**	3
Obligations under finance leases	**10**	49
Current portion of other long-term liabilities (Note 11(h))	**-**	100
	6,960	11,415
Long-term notes payable (Note 7(a))	**26,496**	21,837
Long-term project financing (Note 7(b))	**191**	168
Deferred lease inducements	**120**	133
Obligations under finance leases	**14**	24
	33,781	33,577
Shareholders' deficiency:		
Share capital (Note 11(b))	**199,634**	196,686
Accumulated other comprehensive income	**(143)**	(146)
Contributed surplus (Note 11(c))	**25,242**	24,497
Deficit	**(246,746)**	(245,591)
	(22,013)	(24,554)
Commitments (Note 14)		
Subsequent event (Note 19)		
	$ 11,768	$ 9,023

See accompanying notes to consolidated financial statements.

INTERMAP TECHNOLOGIES CORPORATION

Consolidated Statements of Profit and Loss and Other Comprehensive Income
(In thousands of United States dollars, except per share information)

For the years ended December 31,		**2017**		2016
Revenue (Note 9)	**$**	**19,304**	$	7,049
Expenses:				
Operating costs (Note 10(a))		**16,828**		14,781
Restructuring costs (Note 10(b))		**244**		941
Depreciation of property and equipment		**924**		837
		17,996		16,559
Operating income (loss)		**1,308**		(9,510)
Gain on disposal of equipment		**3**		-
Change in fair value of derivative instruments (Note 12)		**137**		1,948
Financing costs (Note 10(c))		**(2,538)**		(10,069)
Financing income		**-**		7
Loss on foreign currency translation		**(214)**		(105)
Loss before income taxes		**(1,304)**		(17,729)
Income tax expense (Note 13):				
Current		**(51)**		(14)
Deferred		**200**		2,458
		149		2,444
Net loss for the period	**$**	**(1,155)**	$	(15,285)
Other comprehensive loss:				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences		**3**		(44)
Comprehensive loss for the period	**$**	**(1,152)**	$	(15,329)
Basic and diluted loss per share	**$**	**(0.08)**	$	(1.33)
Weighted average number of Class A common shares - basic and diluted (Note 11(d))		**15,182,474**		11,517,236

See accompanying notes to consolidated financial statements.

INTERMAP TECHNOLOGIES CORPORATION

Consolidated Statements of Changes in Shareholders' Deficiency
(In thousands of United States dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance at December 31, 2015	$ 196,409	$ 11,578	$ (102)	$ (230,306)	$ (22,421)
Comprehensive loss for the period	-	-	(44)	(15,285)	(15,329)
Gain on modification of debt (Note 7(a))	-	15,063	-	-	15,063
Deferred tax effect of notes payable	-	(2,458)	-	-	(2,458)
Share-based compensation	174	359	-	-	533
Exercise of options	103	(45)	-	-	58
Balance at December 31, 2016	$ 196,686	$ 24,497	$ (146)	$ (245,591)	$ (24,554)
Comprehensive income (loss) for the period	-	-	3	(1,155)	(1,152)
Rights offering (Note 11(b))	2,890	-	-	-	2,890
Issuance costs (Note 11(b))	(164)	-	-	-	(164)
Gain on modification of debt (Note 7(a))	-	746	-	-	746
Deferred tax effect of notes payable	-	(200)	-	-	(200)
LTIP issuance	162	(115)	-	-	47
Share-based compensation	60	314	-	-	374
Balance at December 31, 2017	$ 199,634	$ 25,242	$ (143)	$ (246,746)	$ (22,013)

See accompanying notes to consolidated financial statements.

INTERMAP TECHNOLOGIES CORPORATION

Consolidated Statements of Cash Flows
(In thousands of United States dollars)

For the years ended December 31,	**2017**	2016
Operating activities:		
Net loss for the period	**$ (1,155)**	$ (15,285)
Adjusted for the following non-cash items:		
Depreciation of property and equipment	**924**	837
Share-based compensation expense	**281**	289
(Gain) loss on disposal of equipment	**(3)**	-
Amortization of deferred lease inducements	**26**	(113)
Deferred taxes	**(200)**	(2,458)
Change in fair value of derivative instruments	**(137)**	(1,948)
Financing costs	**2,538**	10,069
Current income tax expense	**51**	14
Interest paid	**(7)**	(18)
Income tax paid	**(52)**	(16)
Changes in working capital:		
Amounts receivable	**89**	1,679
Other assets	**15**	(133)
Accounts payable and accrued liabilities	**99**	(917)
Unearned revenue	**1,135**	2
Gain on foreign currency translation	**(107)**	(65)
Cash flows provided by (used in) operating activities	**3,497**	(8,063)
Investing activities:		
Purchase of property and equipment	**(3,471)**	(305)
Proceeds from sale of equipment	**3**	1
Cash flows used in investing activities	**(3,468)**	(304)
Financing activities:		
Proceeds from issuance of common shares	**2,890**	-
Proceeds from notes payable	**-**	15,000
Repayment of notes payable	**(2,890)**	(617)
Share issuance costs	**(164)**	(168)
Movement from restricted cash	**-**	801
Repayment of obligations under finance lease	**(56)**	(120)
Cash flows (used in) provided by financing activities	**(220)**	14,896
Effect of foreign exchange on cash	**27**	(2)
Increase (decrease) in cash	**(164)**	6,527
Cash, beginning of period	**6,527**	-
Cash, end of period	**$ 6,363**	$ 6,527

See accompanying notes to consolidated financial statements.

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 400, 3rd Avenue SW, Suite 3700, Calgary, Alberta, Canada T2P 4H2.

Intermap is a global location-based geospatial information company, creating a wide variety of geospatial solutions and analytics for its customers. Intermap's geospatial solutions and analytics can be used in a wide range of applications including, but not limited to, location-based information, geospatial risk assessment, geographic information systems, engineering, utilities, global positioning systems maps, oil and gas, renewable energy, hydrology, environmental planning, wireless communications, transportation, advertising, and 3D visualization.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The significant accounting policies are summarized in Note 3.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of February 21, 2018, the date the Board of Directors approved the consolidated financial statements.

(b) Comparative information:

These consolidated financial statements correct the presentation of the deferred tax asset and deferred tax liability at December 31, 2016. The December 31, 2016 deferred tax asset should have been presented net of the deferred tax liability. The correction of this error decreased the amounts reported for deferred tax asset and deferred tax liability by $2,458. This adjustment is not considered to be material to the financial statements.

(c) Measurement basis:

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

(d) Use of estimates:

Preparing consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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 critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 7(a) – Notes Payable.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year include the following:

i. Depreciation and amortization rates:

In calculating the depreciation and amortization expense, management is required to make estimates of the expected useful lives of property and equipment.

ii. Amounts receivable:

The Company uses historical trends and performs specific account assessments when determining the allowance for doubtful accounts. These accounting estimates are in respect to the amounts receivable line item in the Company's consolidated balance sheet. At December 31, 2017, amounts receivable represented 4% of total assets.

The estimate of the Company's allowance for doubtful accounts could change from period to period due to the allowance being a function of the balance and composition of amounts receivable.

iii. Share-based compensation:

The Company uses the Black-Scholes option-pricing model to determine the grant date fair value of share-based compensation. The following assumptions are used in the model: dividend yield; expected volatility; risk-free interest rate; expected option life; and fair value.

Changes to assumptions used to determine the grant date fair value of share-based compensation awards can affect the amounts recognized in the consolidated financial statements.

iv. Derivative financial instruments:

The Company has determined that its functional currency is the United States dollar and has issued (i) non-broker warrants, and (ii) debt with a conversion option denominated in a currency other than its functional currency. The Company measures the cost of the derivative financial instruments by reference to the fair value of the instruments at the date at which they are granted and revalues them at each reporting date. In determining the fair value of the non-broker warrants, the Company used the Black-Scholes option pricing model with the following assumptions: average volatility rate; market price at the reporting date; risk-free interest rate; the remaining expected life of the warrant; and an exchange rate at the reporting date. The inputs used in the Black-Scholes model are taken from observable markets.

v. **Provisions:**

A provision is recognized, if because 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. If the future settlement were to adversely differ from management's expectations, the Company could incur either an additional expense or reversal of the expense previously recorded (see Note 3(f)).

vi. **Compound financial instruments:**

The Company has issued compound financial instruments which comprise promissory notes denominated in United States dollars that include detachable purchase warrants denominated in both United States dollars and Canadian dollars which can be converted to share capital at the option of the holder. The valuation and accounting for the notes is complex and requires the application of management estimates and judgments with respect to the determination of appropriate valuation models, certain assumptions applied within such valuation models, and certain aspects of the accounting method applied on initial recognition.

vii. **Notes payable:**

The Company has issued long-term promissory notes with no stated interest obligation. The valuation and accounting for the zero-interest notes is complex and requires the application of management estimates and judgments with respect to the determination of appropriate valuation method applied on initial recognition. The assumptions and models used for estimating fair value of the note transactions are disclosed in Note 7.

viii. **Revenue:**

Changes to the assumptions used to measure revenue could impact the amount of revenue recognized in the consolidated financial statements (see Note 3(i)).

(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. (a U.S. corporation); Intermap Technologies PTY Ltd (an Australian corporation); Intermap Technologies s.r.o. (a Czech Republic corporation); and a 90% owned subsidiary, PT ExsaMap Asia (an Indonesian corporation). A new subsidiary, Intermap Insurance Solutions Inc. (a U.S. corporation), was formed on January 1, 2018.

With respect to PT ExsaMap Asia (a 90% owned subsidiary), the non-controlling shareholder owns a written put option for which the Company has recognized as a liability in the consolidated financial statements in accordance with IAS 32, Financial Instruments: Presentation. The Company has elected to use the anticipated acquisition method to account for the arrangement, in which the recognition of the liability implies that the interests subject to the put option are deemed to have already been acquired, even though legally they are still non-controlling interests. Therefore, PT ExsaMap Asia is presented in the consolidated financial statements as fully owned by the Company for accounting purposes, and profits and losses attributable to the holder of the non-controlling interest subject to the put option are presented as attributable to the owners of the parent and not as attributable to those non-controlling shareholders.

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:

Cash includes unrestricted cash balances.

(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 is 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 following useful lives of the assets:

Assets	Years
Aircraft	10
Aircraft engines	7
Mapping equipment - hardware and software	3
Radar equipment	5
Furniture and fixtures	5
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) **Leases:**

Leases are classified as either finance or operating in nature. Management exercises judgment to determine whether substantially all the risks and rewards incidental to ownership have been transferred to the Company.

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.

(f) 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.

i. 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.

ii. 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.

(g) 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.

(h) 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.

(i) 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 unearned revenue. Revenue recognized in excess of billings is recorded as unbilled revenue.

i. Goods sold:

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

ii. Software subscriptions:

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

iii. 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.

iv. 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.

(j) 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.

(k) Share-based compensation:

The grant date fair value of equity-settled 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.

The grant date fair value of the equity-settled portion of the LTIP is recognized as an employee expense, with a corresponding increase in equity, over the service period, and the liability is re-measured at each reporting date. The fair value of the optional settlement portion of the LTIP is recognized as an employee expense, with a corresponding increase in liabilities, over the service period, and is re-measured to the current fair value at each reporting date.

(l) 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 share options and warrants, if dilutive.

(m) Financial instruments:

i. 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.

ii. 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.

iii. Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. The Company has issued non-broker warrants that are considered to be derivative liabilities due to the warrants being exercisable in a currency (Canadian dollar) other than the Company’s functional currency (United States dollar). Accordingly, the warrants are measured at fair value at each reporting date, with changes in fair value included in the consolidated statement of profit and loss and other comprehensive income for the applicable reporting period.

iv. Other 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.

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	Loans and receivables
Amounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Obligations under finance leases	Other liabilities
Notes payable	Other liabilities
Other long-term liabilities	Other liabilities
Warrant liability	Financial liability at fair value through profit and loss

v. Share capital:

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

vi. Compound financial instruments:

Compound financial instruments issued by the Company comprise promissory notes denominated in United States dollars that include detachable warrants denominated in United States dollars and Canadian dollars that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity component. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(n) Segments:

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

4. New and revised IFRS accounting pronouncements:

(a) New accounting standards:

The Company adopted the following new accounting standards and amendments which are effective for the Company's condensed consolidated interim financial statements commencing January 1, 2017.

i. Amendments to IAS 7, *Statement of Cash Flows*

In January 2016, the IASB issued amendments to IAS 7. These amendments require entities to provide disclosures that help users of the financial statements to better understand changes in liabilities that arise from financing activities, including both changes arising from cash flow and non-cash changes. The Company adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017. To meet the disclosure requirement, the Company provided a reconciliation of the opening and closing balances of liabilities arising from financing activities (see Note 7).

ii. Amendments to IAS 12, *Income Taxes*

In January 2016, the IASB issued amendments to IAS 12. The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. These amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. The Company adopted the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The adoption of these amendments did not have a material impact on the consolidated financial statements.

(b) Future pronouncements:

The IASB and International Financial Reporting Interpretations Committee (IFRIC) issued the following standards that have not been applied in preparing these consolidated financial statements, as their effective dates fall within annual periods beginning subsequent to the current reporting period.

i. IFRS 9, *Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early application is permitted. The Company does not expect the adoption of this standard will have a material impact on the consolidated financial statements.

ii. IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, which provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts, and requires enhanced disclosures. The standard also provides guidance relating to recognition of customer acquisition costs. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance. This standard will be effective January 1, 2018 and allows early adoption. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application.

The Company is finalizing its assessment of the impact of the adoption of this new revenue standard on the consolidated financial statements and related disclosures. Based on the results of the evaluation performed to date, the Company has not identified any changes which will have a material impact on the consolidated financial statements. Similarly, the Company has not identified any significant impact on the business processes, controls and systems. The Company will need to provide expanded disclosures relating to the nature, amount, timing, and uncertainty of revenues and cash flows arising from contracts with customers. The Company is in the process of finalizing the documentation of the accounting policies and has adopted the new standard effective January 1, 2018 using the modified retrospective approach.

iii. IFRS 16, *Leases*

In January 2016, the International Accounting Standards Board issued IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from contract with customers has also been applied. The Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard. The Company expects the adoption of this standard to increase assets and liabilities as it will be required to record a right-of-use asset and a corresponding liability in the consolidated financial statements.

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

5. Property and equipment:

Property and equipment	Aircraft and engines	Radar and mapping equipment	Furniture and fixtures	Leasehold improvements	Under construction	Total
Balance at December 31, 2015	$ 1,246	$ 555	$ 5	$ 102	$ 14	$ 1,922
Additions	-	8	7	15	275	305
Finance lease	-	68	-	-	-	68
Depreciation	(409)	(347)	(3)	(78)	-	(837)
Disposal	-	(1)	-	-	-	(1)
Balance at December 31, 2016	$ 837	$ 283	$ 9	$ 39	$ 289	$ 1,457
Additions	-	294	3	24	3,606	3,927
Transfer from under construction	-	3,489	-	-	(3,489)	-
Depreciation	(369)	(517)	(4)	(34)	-	(924)
Balance at December 31, 2017	$ 468	$ 3,549	$ 8	$ 29	$ 406	$ 4,460

Property and equipment	Aircraft and engines	Radar and mapping equipment	Furniture and fixtures	Leasehold improvements	Under construction	Total
Cost	$ 10,951	$ 27,383	$ 376	$ 934	$ 289	$ 39,933
Accumulated depreciation	(10,114)	(27,100)	(367)	(895)	-	(38,476)
Balance at December 31, 2016	$ 837	$ 283	$ 9	$ 39	$ 289	$ 1,457
Cost	$ 10,951	$ 31,132	$ 379	$ 959	$ 406	$ 43,827
Accumulated depreciation	(10,483)	(27,583)	(371)	(930)	-	(39,367)
Balance at December 31, 2017	$ 468	$ 3,549	$ 8	$ 29	$ 406	$ 4,460

During the twelve months ended December 31, 2017, the Company disposed of assets with an original cost of $28 and a net book value of $Nil (December 31, 2016 - $39), recognized a gain of $3 on those assets (December 31, 2016 - $Nil) and received cash proceeds of $3 (December 31, 2016 - $1). Property and equipment additions for the year ended December 31, 2017 include an amount of $456 (December 31, 2016 - $Nil) recorded to accounts payable and accrued liabilities.

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

6. Accounts payable and accrued liabilities:

		December 31, 2017		December 31, 2016
Accounts payable	**$**	**1,910**	$	2,296
Accrued liablities		**2,043**		1,251
Other taxes payable		**58**		8
	$	**4,011**	$	3,555

7. Financial liabilities:

The following table details the financial liabilities activity and balances at December 31, 2017 and 2016:

	Notes Payable	Liabilities Project Financing	Finance Leases	Equity Share Capital	Restricted Cash	Total
Balance at December 31, 2015	$ 16,387	$ 1,295	$ 109	$ 196,409	$ 801	$ 215,001
Changes from financing activities:						
Proceeds from notes payable	15,000	-	-	-	-	15,000
Movement from restricted cash	-	-	-	-	801	801
Repayment of notes payable	(617)	-	-	-	-	(617)
Share issuance costs	(168)	-	-	-	-	(168)
Repayment of obligations under finance lease	-	-	(120)	-	-	(120)
Total changes from financing activities	14,215	-	(120)	-	801	14,896
Foreign exchange	-	(6)	-	-	-	(6)
Other changes:						
Financing costs	6,137	93	17	-	-	6,247
Purchase of equipment	-	-	67	-	-	67
Discount recognized on the note	(9,038)	-	-	-	-	(9,038)
Exercise of options	-	-	-	103	-	103
Share-based compensation	-	-	-	174	-	174
Balance at December 31, 2016	$ 27,701	$ 1,382	$ 73	$ 196,686	$ -	$ 227,444
Changes from financing activities:						
Proceeds from issuance of common shares	-	-	-	2,890	-	2,890
Repayment of notes payable	(2,890)	-	-	-	-	(2,890)
Share issuance costs	-	-	-	(164)	-	(164)
Repayment of obligations under finance lease	-	-	(56)	-	-	(56)
Total changes from financing activities	(2,890)	-	(56)	2,726	-	(220)
Foreign exchange	-	12	-	-	-	12
Other changes:						
Financing costs	2,431	100	7	-	-	2,538
Discount recognized on the note	(746)	-	-	-	-	(746)
LTIP issuance	-	-	-	162	-	162
Share-based compensation	-	-	-	60	-	60
Balance at December 31, 2017	$ 26,496	$ 1,494	$ 24	$ 199,634	$ -	$ 229,250

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

(a) Notes payable:

The following table details the liability and equity components of each note payable balance at December 31, 2017:

Closing Date of Note	March 30, 2017	December 14, 2016	December 14, 2016	Total
Proceeds from issuance of notes	$ -	$ 6,000	$ -	$ 6,000
Repayment	-	(2,890)	-	(2,890)
Note modification - 2016	-	-	27,800	27,800
Conversion to long-term note payable	3,110	(3,110)	-	-
Issuance of December 2016 note	-	-	3,000	3,000
Transaction costs	-	-	(168)	(168)
Discount on the note	(746)	(158)	(8,880)	(9,784)
Effective interest on note discount	147	158	2,233	2,538
Long-term portion of notes payable	$ 2,511	$ -	$ 23,985	$ 26,496

The following table details the liability and equity components of each note payable balance at December 31, 2016:

Closing Date of Note	December 14, 2016	December 14, 2016	September 15, 2016	July 8, 2016	April 12, 2016	March 2, 2016	Total
Proceeds from issuance of notes	$ 6,000	$ -	$ 2,000	$ 2,000	$ 5,000	$ -	$ 15,000
Transfer of accrued interest	-	-	1,545	-	1,130	1,825	4,500
Note restructuring - 2015 notes	-	-	-	-	7,000	7,300	14,300
Note restructuring - 2016 notes	-	-	22,255	-	(13,130)	(9,125)	-
Note modification - 2016	-	27,800	(25,800)	(2,000)	-	-	-
Issuance of December 2016 note	-	3,000	-	-	-	-	3,000
Transaction costs	-	(168)	-	-	-	-	(168)
Discount on the note	(158)	(8,880)	-	-	-	-	(9,038)
Effective interest on note discount	22	85	-	-	-	-	107
Note repayment	-	-	-	-	-	-	-
Carrying amount of notes payable	$ 5,864	$ 21,837	$ -	$ -	$ -	$ -	$ 27,701
Less current portion	(5,864)	-	-	-	-	-	(5,864)
Long-term portion of notes payable	$ -	$ 21,837	$ -	$ -	$ -	$ -	$ 21,837

i. March 2, 2016 note payable:

On March 2, 2016, the Company restructured and consolidated the February 23, 2015 notes payable of $5,800 and $1,500 into one note. The original notes, bearing interest at 25% per annum, were canceled with the related principal of $7,300 and accrued interest of $1,825 consolidated into a new note payable totaling $9,125, bearing interest at a rate of 15% and a maturity date of August 24, 2016. On September 19, 2016, the Company announced the cancellation of this note and the issuance of a new note dated September 15, 2016 (see Note 7(a(iv))).

ii. April 12, 2016 note payable:

On April 12, 2016, the Company restructured and consolidated into one note its April 1, 2015 note payable of $1,500, April 28, 2015 note payable of $2,500, and July 13, 2015 note payable of $3,000. The original notes, bearing interest at 20%, 20%, and 15% per annum, respectively, were canceled. The new note payable, dated April 12, 2016, in the principal amount of

$13,130 includes an additional $5,000 debt financing and accrued interest from the canceled notes of $1,130. Simple interest is payable at maturity on October 11, 2016 at an annual rate of 15%. On September 19, 2016, the Company announced the cancellation of this note and the issuance of a new note dated September 15, 2016 (see Note 7(a(iv))).

iii. July 8, 2016 note payable:

On July 8, 2016, the Company issued a promissory note for $2,000 to Vertex. The note bears simple interest at an annual rate of 15%. The principal and accrued interest balance is payable on the earlier of (i) maturity on July 8, 2017 or (ii) the date on which a down payment in excess of $2,000 from a material geospatial project is received by the Company. On December 14, 2016, the Company amended the terms of the July 8, 2016 and September 15, 2016 notes, and accounted for the changes as a consolidated note modification (see Note 7(a(iv))).

iv. September 15, 2016 note payable:

On September 15, 2016, the Company restructured and consolidated into one note its March 2, 2016 note payable of $9,125 and April 12, 2016 note payable of $13,130. The original notes, bearing interest at 15% per annum each, were canceled. The new note payable, dated September 15, 2016, in the principal amount of $25,800 includes an additional $2,000 debt financing and accrued interest from the canceled notes of $1,545. Simple interest is payable at maturity on September 15, 2017 at an annual rate of 15%. On December 14, 2016, the Company amended the terms of the July 8, 2016 and September 15, 2016 notes, and accounted for the changes as a consolidated note modification (see Note 7(a(vi))).

v. December 14, 2016 note payable:

On December 14, 2016, the Company received $6,000 as a bridge loan from Vertex. The loan is payable on the earlier of March 31, 2017 or the completion of the Rights Offering, which closed on March 30, 2017 (see Note 11(b)). All the proceeds of the Rights Offering were to be used to pay down this note payable, and any amounts which remain outstanding after the Rights Offering will be converted into a term loan due September 1, 2020. The note is non-interest bearing, and therefore the fair value at inception must be estimated to account for an imputed interest factor. The value at inception was determined to be $5,842. The estimated discount rate was 9.21% and is subject to estimation uncertainty. The discount of $158 was recognized in contributed surplus and was amortized over the term of the note using the effective interest method. The note was subject to prepayment provisions, if the Company's aggregate cash balance exceeds $10.0 million at the end of any calendar quarter, 50% of the balance greater than $10.0 million must be pre-paid against the outstanding notes payable.

vi. December 14, 2016 note modification:

On December 14, 2016, the Company and Vertex restructured its September 15, 2016 note payable of $25,800 and July 8, 2016 note payable of $2,000. The original notes, bearing interest at 15% per annum each, were extended to mature on September 1, 2020 and the interest was eliminated. In addition, a promissory note payable for $3,000 was issued in exchange for the termination of the royalty agreement, executed on February 23, 2015, and the amending agreement, which established the cash sweep requirement, executed on April 28, 2015. The restructured notes were treated as an extinguishment for accounting purposes, and given they require for zero interest payments, the fair value at inception must be estimated to account for an imputed interest factor. The value of the remaining promissory notes ($25,800, $2,000 and $3,000) at inception was determined to be $21,752, net of transaction costs of $168. The estimated discount rate was 9.21% and is subject to estimation uncertainty. The discount to the note payable will be amortized over the term of the note using the effective interest method. For the twelve months ending December 31, 2017, $2,233 (twelve months ended December 31, 2016 - $85) was recognized in financing costs. The note is subject to prepayment provisions, if the Company's aggregate cash balance exceeds $10.0 million at the end of any calendar quarter, 50% of the balance greater than $10.0 million must be pre-paid against the outstanding notes payable.

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

At December 14, 2016, the accounting for the modification of debt resulted in a gain of $15,063 recognized in contributed surplus:

		2016
Discount recognized on the December 14, 2016 modifications to the promissory notes	$	9,038
Reversal of long-term royalty obligation		7,300
Reversal of accrued interest		1,084
Reversal of accrued royalty		641
Less: New December 14, 2016 promissory note payable		(3,000)
Gain recognized on modification of debt	$	15,063

vii. March 30, 2017 note payable:

On March 30, 2017, the Company executed an amended and restated promissory note with Vertex One Asset Management (Vertex), for $3,110 due September 1, 2020. The note represents the balance remaining from the December 14, 2016 bridge loan, following the completion of the Rights Offering (See Note 11(b)) and repayment of $2,890. The note is non-interest bearing, and therefore the fair value at inception must be estimated to account for an imputed interest factor. The value at inception was determined to be $2,364, based on the estimated discount rate of 8.05%, and is subject to estimation uncertainty. The resulting discount of $746 was recognized in contributed surplus as a gain on the modification of debt at March 30, 2017, and will be amortized over the term of the note using the effective interest method. For the twelve months ending December 31, 2017, $147 was recognized in financing costs. The note is subject to prepayment provisions, if the Company's aggregate cash balance exceeds $10.0 million at the end of any calendar quarter, 50% of the balance greater than $10.0 million must be pre-paid against the outstanding notes payable.

(b) Project financing:

Project financing includes a promissory note with a service provider. The note bears interest at 8% per annum and is secured by a last priority lien on an aircraft owned by the Company. As of December 31, 2017, the balance of the note is $1,303.

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

Additionally, the project financing balance includes reimbursable project development funds provided by a corporation designed to enable the development and commercialization of geomatics solutions in Canada. The funding is repayable upon the completion of a specific development project and the first sale of any of the resulting product(s). Repayment is to be made in quarterly installments equal to the lesser of 20% of the funding amount or 25% of the prior quarter's sales.

	December 31, 2017	December 31, 2016
Promissory note payable	**$ 1,303**	$ 1,203
Reimbursable project funding	**191**	179
	1,494	1,382
Less current portion	**(1,303)**	(1,214)
Long-term portion of project financing	**$ 191**	$ 168

8. Obligations under finance leases:

Finance lease liabilities are payable as follows:

	December 31, 2017			December 31, 2016		
	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)	**$ 12**	**$ 2**	**$ 10**	$ 57	$ 8	$ 49
Between one and five years (long-term portion)	**15**	**1**	**14**	27	3	24
	$ 27	**$ 3**	**$ 24**	$ 84	$ 11	$ 73

[1] *Interest rate ranging from 7.48% to 9.65%.*
[2] *Interest rate ranging from 7.48% to 22.96%.*

In July 2016, the Company entered a finance lease to purchase $90 of computer equipment. The lease bears interest at an implicit rate of 22.96% and is secured by the underlying assets. The lease matured in June 2017.

9. Revenue:

Details of revenue are as follows:

For the twelve months ended December 31,	**2017**	2016
Acquisition services	**$ 14,926**	$ 3,546
Value-added data	**2,837**	2,202
Software and solutions	**1,541**	1,301
	$ 19,304	$ 7,049

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

10. Operating and financing costs:

(a) Operating costs:

For the twelve months ended December 31,		2017		2016
Personnel	$	8,580	$	9,412
Purchased services & materials[1]		5,391		3,285
Travel		597		268
Facilities and other expenses		2,260		1,816
	$	16,828	$	14,781

(1) Purchased services and materials include aircraft costs, project costs, professional and consulting fees, and selling and marketing costs.

(b) Restructuring costs:

During the twelve months ended December 31, 2017, the Company continued organizational restructuring to lower on-going operating costs. As a result, the company recorded $244 of workforce reduction restructuring costs (twelve months ended December 31, 2016 - $941).

(c) Financing costs:

For the twelve months ended December 31,		2017		2016
Accretion of discounts recognized on notes payable	$	2,431	$	5,821
Interest on project financing		100		3,281
Interest on finance lease		7		17
Interest on notes payable		-		93
Royalty expense associated with note payable		-		857
	$	2,538	$	10,069

11. 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, 2017			December 31, 2016		
Class A common shares	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period:	10,134,458	$	196,686	10,023,737	$	196,409
Issuance of common shares from Rights offering	6,011,273		2,890	-		-
Issuance costs	-		(164)			
Option exercise	-		-	26,763		103
LTIP Issuance	149,293		162	-		-
Share-based compensation	101,250		60	83,958		174
Share consolidation rounding	16		-	-		-
Balance, end of period:	16,396,289	$	199,634	10,134,458	$	196,686

On December 1, 2017, the Company completed a previously approved share consolidation on a 10 for 1 basis. No partial shares were issued in the consolidation and quantities were either rounded up or down to the nearest share. As a result, sixteen additional shares were issued due to rounding. The share quantities and per share prices in these Consolidated Financial Statements for 2016 and forward have been adjusted to reflect the share consolidation for comparative purposes.

On June 20, 2017, 101,250 Class A common shares were issued to directors and employees of the Company as compensation for services. Compensation expense of $60 for these Class A common shares is included in operating costs.

On April 12 and June 29, 2017, the Company issued a total of 149,293 Class A common shares that were earned under the LTIP Plan (see note 11(h)).

On February 24, 2017, the Company announced its plans to proceed with the previously announced Rights Offering. The Rights Offering Notice was mailed on March 2, 2017 to all shareholders of record as of March 1, 2017. Pursuant to the Rights Offering, one right was issued for each common share of the Company held and each right entitles the holder to subscribe for one common share of the Company upon the payment of the subscription price of C$0.60 or US$0.50 per common share. An aggregate of 10,134,458 rights were issued pursuant to the Rights Offering, and the rights expired on March 27, 2017. On March 30, 2017, the Company issued 6,011,273 Class A common shares, with total proceeds of $2,890 and issuance costs of $164. All proceeds were used to reduce the $6,000 bridge loan, and the remaining balance of $3,110 was converted to a term note due on September 1, 2020, bearing zero interest (see Note 7(a(vii))).

On July 25, 2016, 15,300 Class A common shares were issued upon the exercise of options with a grant date fair value of $29 for a reduction in accounts payable of $35.

On June 29, 2016, 20,169 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $40 for these Class A common shares is included in operating costs.

On May 17, 2016, 63,789 Class A common shares were issued to directors of the Company as compensation for services in exchange for settlement of accounts payable of $134.

On May 3, 2016, 11,463 Class A common shares were issued upon the exercise of options with a grant date fair value of $16 in exchange for settlement of accounts payable of $22.

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

(c) Contributed surplus:

		December 31, 2017		December 31, 2016
Balance, beginning of period	**$**	**24,497**	$	11,578
Gain on modification of notes payable (Note 7(a))		**746**		15,063
Share-based compensation		**314**		359
LTIP issuance		**(115)**		-
Exercise of options		**-**		(45)
Deferred tax effect of notes payable		**(200)**		(2,458)
Balance, end of period	**$**	**25,242**	$	24,497

(d) Earnings (loss) per share:

The calculation of earnings (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 the outstanding options and warrants in the loss per share calculation are anti-dilutive and are therefore not included in the calculation.

The weighted average number of shares have been retrospectively adjusted for the bonus element of a 1.14 factor because of the rights issued pursuant to the Rights Offering (Note 11(b)).

The underlying Class A common shares pertaining to 1,396,079 outstanding share options and 1,807,391 outstanding warrants could potentially dilute earnings.

(e) Director's share compensation plan:

The Company has a director's share compensation plan which allows for the issuance 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 June 8, 2016, an amendment to the share compensation plan was approved to increase the maximum number of Class A common shares of the Corporation issuable thereunder from 240,000 to 440,000. As of December 31, 2017, 78,581 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. At the Annual General and Special Meeting of the Shareholders on June 8, 2016, an amendment to the share compensation plan was approved to increase the maximum number of Class A common shares of the Corporation issuable thereunder from 800,000 to 1,000,000. As of December 31, 2017, 730,189 Class A common shares remain available for issuance under the plan. Compensation expense for issued shares is included in operating costs.

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

(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, 2017, 1,639,629 Class A common shares were authorized under the plan, of which 1,396,079 share options are issued and outstanding and 243,550 options remain available for future issuance. Under the plan, no one individual shall be granted an option resulting in cumulative grants in excess of 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 six to ten 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 tenth anniversary of the date of such grant.

The following tables summarize information regarding share options outstanding:

	December 31, 2017		December 31, 2016	
	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	**924,991**	**$ 2.48**	686,506	$ 4.10
Granted	**905,214**	**0.70**	578,493	1.30
Exercised	**-**	**-**	(26,763)	2.80
Expired	**(423,126)**	**3.26**	(191,808)	4.50
Forfeitures	**(11,000)**	**2.78**	(121,438)	3.00
Options outstanding, end of period	**1,396,079**	**$ 1.09**	924,991	$ 2.48
Options exercisable, end of period	**766,944**	**$ 1.26**	809,907	$ 2.40

Exercise Price (CDN$)	Options outstanding	Weighted average remaining contractual life	Options exercisable
0.70	905,214	9.28 years	330,204
0.80	291,732	8.88 years	291,732
1.70	2,500	2.62 years	1,875
2.30	12,381	3.63 years	12,381
2.70	49,375	4.22 years	14,125
2.90	72,625	2.22 years	54,375
4.40	62,252	1.20 years	62,252
	1,396,079	8.23 years	766,944

During the twelve months ended December 31, 2017, 905,214 options were granted at a weighted average grant date fair value of C$0.70 per share, determined using the Black-Scholes option pricing model on the date of grant with the following assumptions: share price of C$0.70, expected dividend yield 0%, risk-free interest rate of 1.37%, volatility of 124.9% and expected life of 10 years. Volatilities are calculated based on the actual historical trading statistics of the Company's Class A common shares for the period commensurate with the expected option term. The estimated forfeiture rate was 10.36% (2016 - $12.97%). During the twelve months ended December 31, 2017, the Company recognized $274 (twelve months ended December 31, 2016 - $339) of non-cash compensation expense related to the share option plan.

(h) Long-term incentive plan:

During the third quarter of 2014, the Board of Directors approved the terms of a long-term incentive plan (LTIP) intended to retain and compensate senior management of the Company. The LTIP is a share-based payments plan, based on the average stock price of the Company during the last quarter of the year ended December 31, 2015, and included the award of up to 239,800 common shares to be issued as equity-settled share-based compensation and up to 359,700 common shares to be settled in either cash or common shares, at the discretion of the Board of Directors. At December 31, 2015, 105,817 shares were earned under the equity-settled portion of the LTIP and 158,725 shares were earned under the optional settlement portion of the LTIP. At December 31, 2017, all shares under the plan have been issued or forfeited.

The fair value of the awards is subject to estimation uncertainty and was calculated using a Monte Carlo simulation model with the following assumptions at the grant date: expected dividend yield 0%, risk-free interest rate of 1.02%, volatility of 94.35%, grant date of August 8, 2014 and expiration date of December 31, 2015. Volatilities were calculated based on the actual historical trading statistics of the Company's Class A common shares with a 1.4-year historical look back, commensurate with the term of the LTIP.

The grant date fair value of the equity-settled portion of the LTIP was $133 and was charged to non-cash compensation expense over the service period, which ended March 31, 2016, with a corresponding charge to contributed surplus.

The grant date fair value of the optional settlement portion of the LTIP was $169, with payment timing subject to predetermined working capital thresholds, and was determined using a discount rate of 8.97%. The fair value of the amount estimated to be payable to employees under the optional settlement portion of the LTIP is charged to non-cash compensation expense with a corresponding increase in liabilities, over the service period, and is re-measured to the current fair value at each reporting date. Any changes in the liability were recognized in profit or loss over the service period.

The fair value of the awards was subject to estimation uncertainty and at December 31, 2016 a liability of $100 was recorded representing the fair value of the optional settlement portion of the LTIP. During the twelve months ended December 31, 2017, 149,293 Class A common shares were issued with a value of $47, 22,659 Class A common shares with a value of $12 were forfeited and a gain of $41 has been charged to non-cash compensation expense.

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

(i) Share-based compensation expense:

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

For the twelve months ended December 31,		2017		2016
Employees	$	**159**	$	(76)
Non-employees		**153**		365
Non-cash compensation	$	**312**	$	289

12. Class A common share purchase warrants:

The warrant amounts and prices have been adjusted because of the December 2017 share consolidation (see Note 11(b)). The following table details the number of Class A common share purchase warrants outstanding at each balance sheet date:

Grant Date	Expiry Date	Exercise Price	Granted	Exercised	Number of Warrants Outstanding December 31, 2016	Anti-dilution Adjustment	Expired	Number of Warrants Outstanding December 31, 2017
2/7/2014	2/7/2017	C$ 0.80	309,157	-	309,157	-	(309,157)	-
12/12/2014	12/12/2017	C$ 1.00	113,720	-	113,720	21,695	(135,415)	-
12/26/2014	12/26/2017	C$ 0.70	166,667	-	166,667	31,796	(198,463)	-
1/6/2015	2/6/2017	C$ 0.80	459,744	(95,802)	363,942	-	(363,942)	-
1/14/2015	1/21/2018	C$ 0.80	146,983	-	146,983	28,041	-	175,024
4/1/2015	4/1/2018	US$ 0.70	917,827	-	917,827	175,099	-	1,092,925
5/1/2015	5/1/2018	US$ 0.60	453,017	-	453,017	86,424	-	539,441
			2,567,115	(95,802)	2,471,313	343,055	(1,006,977)	1,807,391

Each warrant entitles its holder to purchase one Class A common share. Vertex, the holder of all the Company's notes payable holds 546,469 of the warrants outstanding at December 31, 2017.

The warrants contain anti-dilution protection provisions, and following the closing of the Rights Offering on March 30, 2017, 343,055 warrants were issued based on a share rate factor of 1.1908, as calculated according to the terms defined in the warrant agreements. The expiry dates and exercise prices remained unchanged.

During February 2017, 309,157 warrants that were issued on February 7, 2014 and 363,942 warrants that were issued on January 6, 2015 naturally expired.

During December 2017, 135,415 warrants (113,720 warrants issued on December 12, 2014 adjusted for anti-dilution provisions on March 30, 2017) and 198,463 warrants (166,667 warrants issued on December 26, 2014 adjusted for anti-dilution provisions on March 30, 2017) naturally expired.

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

The 508,902 warrants denominated in Canadian dollars, a currency different from the Company's functional currency, are recognized as a financial liability at fair value through profit and loss. The 1,632,366 warrants denominated in United States dollars are recognized as part of share capital. At December 31, 2017 $385 is included in share capital related to these warrants.

The following table details the number and value of the non-broker Class A common share purchase warrants denominated in Canadian dollars that are outstanding and included in warrant liability at each balance sheet date.

	Number of non-broker warrants	Warrant liability
Balance at December 31, 2016	1,100,470	$ 137
Anti-dilution adjustment	81,531	8
Expired	(1,006,977)	(105)
Revaluation	-	(40)
Balance at December 31, 2017	175,024	$ -

On December 31, 2017, the 146,983 non-broker warrants issued on January 14, 2015 and increased to 175,024 on March 30, 2017 were revalued to $Nil utilizing the Black-Scholes option pricing model with the following assumptions: exercise price of C$0.80; average volatility rate of 58.4%; risk-free interest rate of 1.41%; expected life of 1 month; and an exchange rate of 0.80.

The Company also issued 917,827 non-broker warrants on April 1, 2015 and 453,017 non-broker warrants on May 1, 2015 that were increased to 1,092,925 and 539,441, respectively on March 30, 2017. As the exercise price for both issuances are denominated in U.S. dollars, the Company's functional currency, the warrants are not considered a derivative liability and are not required to be recorded as a liability and revalued at each balance sheet date.

13. Income Taxes:

(a) Current tax (expense) recovery:

December 31	**2017**	2016
Current period	**$ (51)**	$ (9)
Adjustment for prior periods	**-**	(5)
	$ (51)	$ (14)

(b) Deferred tax recovery:

December 31	**2017**	2016
Origination and reversal of temporary differences	**$ 200**	$ 2,458

During 2017, the Company recognized $200 (2016 - $2,458) in deferred tax expense related to the notes payable directly in equity.

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

(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,		**2017**		2016
Losses, excluding income tax	**$**	**(1,304)**	$	(17,729)
Tax rate		**27.0%**		27.0%
Expected Canadian income tax recovery	**$**	**352**	$	4,787
Decrease resulting from:				
Change in unrecognized temporary differences		**21,735**		(1,223)
Change in US statutory rate		**(22,263)**		-
Difference between Canadian statutory rate and those applicable to U.S. and other foreign subsidiaries		**35**		1,126
Non-deductible expenses and non-taxable income		**(580)**		(2,898)
Adjustment for prior years income tax matters		**114**		552
Tax losses expiring during the year		**751**		
Other		**5**		100
	$	**149**	$	2,444

(d) 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, 2017 and 2016, are as follows:

	Assets		**Liabilities**		**Net**	
December 31,	**2017**	2016	**2017**	2016	**2017**	2016
Property and equipment	**$ -**	$ -	**$ -**	$ 13	**$ -**	$ 13
Note payable	**-**	-	**200**	2,458	**200**	2,458
Tax loss carryforwards	**(200)**	(2,471)	**-**	-	**(200)**	(2,471)
Tax (assets) liabilities	**$ (200)**	$ (2,471)	**$ 200**	$ 2,471	**$ -**	$ -
Set off of tax	**200**	2,471	**(200)**	(2,471)	**-**	-
Net tax (assets) liabilities	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -

(e) Unrecognized deferred tax assets:

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

December 31		**2017**		2016
Deductible temporary differences	**$**	**19,891**	$	18,908
Tax loss carryforwards		**215,222**		217,276
	$	**235,113**	$	236,184

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.

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

Loss carry forwards:

At December 31, 2017, approximately $222,639 of loss carry forwards and $2,550 of tax credits were available in various jurisdictions. At December 31, 2017 $7,417 of loss carry forwards were recognized as a deferred tax asset. A summary of losses by year of expiry are as follows:

Twelve months ended December 31,		
2018	$	1,870
2020		2,812
2021-2037		217,957
	$	222,639

(f) Movement in deferred tax balances during the year:

	Balance at December 31, 2016		Recognized in Profit and Loss		Recognized in Equity		**Balance at December 31, 2017**
Property and equipment	$	13	$	(13)	$	-	**$**	**-**
Note payable		2,458		(658)		200		**2,000**
Tax loss carryforwards		(2,471)		471		-		**(2,000)**
Net tax (assets) liabilities	$	-	$	(200)	$	200	**$**	**-**

14. 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:

2018	$	509
2019		388
2020		233
	$	1,130

During the twelve months ended December 31, 2017, the Company recognized $915 (twelve months ended December 31, 2016 - $1,086) in operating lease expense for office space.

15. 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,		**2017**		2016
United States	**$**	**6,925**	$	4,960
Asia/Pacific		**10,987**		686
Europe		**1,392**		1,403
	$	**19,304**	$	7,049

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

Property and equipment of the Company are located as follows:

December 31,		**2017**		2016
United States	**$**	**4,191**	$	1,401
Canada		**194**		31
Europe		**4**		22
Asia/Pacific		**71**		3
	$	**4,460**	$	1,457

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

Year ended December 31,		**2017**		2016
Customer A	**$**	**9,270**	$	-
Customer B		**5,631**		3,546
	$	**14,901**	$	3,546

16. 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 77 percent of the Company's revenue is attributable to transactions with two key customers (year ended December 31, 2016 - 50 percent of the revenue was attributable to one key customer), approximately 20 percent of the Company's trade amounts receivable at year end are attributable to customers located in Asia/Pacific (December 31, 2016 –

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

approximately 12 percent), and approximately 67 percent of the Company's trade amounts receivable at year end are attributable to customers located in Europe (December 31, 2016 – approximately 32 percent).

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, 2017, and December 31, 2016, consist of:

December 31,		**2017**		2016
Trade amounts receivable	**$**	**519**	$	559
Employee receivables		**-**		2
Other miscellaneous receivables		**2**		45
Allowance for doubtful accounts		**-**		(6)
	$	**521**	$	600

Trade amounts receivable by geography consist of:

December 31,		**2017**		2016
United States	**$**	**67**	$	308
Asia/Pacific		**103**		66
Europe		**349**		180
Canada		**-**		5
	$	**519**	$	559

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

December 31,		**2017**		2016
Current	**$**	**344**	$	403
31-60 days		**49**		60
61-90 days		**-**		3
Over 91 days		**126**		93
	$	**519**	$	559

The balance of the past due amounts relates to reoccurring customers and are considered collectible.

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

ii. Investments in securities

The Company manages its credit risk surrounding cash 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, 2017, 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, Malaysian ringgit 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 most 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, 2017, are as follows:

(in USD)	Australian Dollar	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna
Cash and cash equivalents	$ -	$ 246	$ -	$ -	$ 9	$ (2)
Amounts receivable	99	4	43	33	-	117
Accounts payable and accrued liabilities	(54)	(730)	(197)	(3)	(239)	(172)
	$ 45	$ (480)	$ (154)	$ 30	$ (230)	$ (57)

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

The balances in foreign currencies at December 31, 2016, are as follows:

(in USD)	Australian Dollar	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna
Cash and cash equivalents	$ -	$ 166	$ 7	$ -	$ 9	$ 67
Amounts receivable	7	47	74	18	-	42
Accounts payable and accrued liabilities	(2)	(482)	(176)	(3)	(177)	(121)
	$ 5	$ (269)	$ (95)	$ 15	$ (168)	$ (12)

Based on the net exposures at December 31, 2017 and 2016, and if 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, 2017	**Australian Dollar**	**Canadian Dollar**	**Euro**	**British Pound**	**Indonesian Rupiah**	**Czech Republic Koruna**
United States dollar:						
Depreciates 10%	$ (5)	$ 26	$ 15	$ (3)	$ 23	$ 6
Appreciates 10%	5	(26)	(15)	3	(23)	(6)

December 31, 2016	Australian Dollar	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna
United States dollar:						
Depreciates 10%	$ (1)	$ 27	$ 9	$ (1)	$ 17	$ 1
Appreciates 10%	1	(27)	(9)	1	(17)	(1)

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 does not have any debt instruments outstanding with variable interest rates at December 31, 2017, or December 31, 2016.

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 principal 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.

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

(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, 2017, the Company has a cash balance of $6,363 (year ended December 31, 2016 – $6,527) and working capital of positive $348 (year ended December 31, 2016 – negative $3,849).

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as of December 31, 2017:

	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	3,279	22	706	4	-
Notes Payable	-	-	-	-	33,914
Project financing	1,303	-	-	191	-
Obligations under finance leases	3	3	6	12	3
	$ 4,585	$ 25	$ 712	$ 207	$ 33,917

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as of December 31, 2016:

	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	$ 2,920	$ 164	$ 471	$ -	$ -
Warrant liabilities(1)	53	-	54	30	-
Notes Payable	6,000	-	-	-	30,803
Project financing	1,214	-	-	168	-
Other long-term liabilities	100	-	-	-	-
Obligations under finance leases	25	25	6	14	14
	$ 10,312	$ 189	$ 531	$ 212	$ 30,817

(1) The warrant liabilities are 100% vested and can be exercised by the holders at any time; however, the obligation is non-cash and will be settled in equity (see Note 12).

(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.

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

The Company includes shareholders' deficiency, long-term notes payable, long-term portion of project financing and long-term portion of obligations under finance leases in the definition of capital. Total capital at December 31, 2017, was positive $4,688 (December 31, 2016 – negative $2,525). 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 considering 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.

17. Fair values:

(a) Fair value:

Set out below is a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the Consolidated Balance Sheet:

	December 31, 2017		December 31, 2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Loans and receivables:				
Cash	**$ 6,363**	**$ 6,363**	$ 6,527	$ 6,527
Amounts receivable	**521**	**521**	600	600
	$ 6,884	**$ 6,884**	$ 7,127	$ 7,127
Financial liabilities				
Derivative financial liabilities at fair value through profit and loss:				
Non-broker warrants	**$ -**	**$ -**	$ 137	$ 137
Other financial liabilities:				
Notes payable	**26,496**	**27,136**	27,701	27,701
Accounts payable and accrued liabilities	**4,011**	**4,011**	3,555	3,555
	$ 30,507	**$ 31,147**	$ 31,393	$ 31,393

The fair values of the financial assets and liabilities are shown at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash, amounts receivable, accounts payable and accrued liabilities and provisions approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Notes payable are evaluated by the Company based on parameters such as interest rates and the risk characteristics of the instrument.
- The fair value of the non-broker warrants is estimated using the Black-Scholes option pricing model incorporating various inputs including the underlying price volatility and discount rate (see Note 12).

(b) Fair value hierarchy:

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 of financial instruments recorded at fair value on the Consolidated Balance Sheet are as follows:

	December 31, 2017			December 31, 2016		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities						
Non-broker warrants	**$ -**	**$ -**	**$ -**	$ -	$ 137	$ -

During the reporting periods, there were no transfers between Level 1 and Level 2 fair value measurements.

18. 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 considering business achievement, fulfillment of individual objectives and overall job performance. Executive officers participate in the Company's share compensation and share option plans (Note 11).

The compensation of non-employee directors consists of a cash component and a share component. Directors participate in the Company's share option plan and director's share compensation plan (Note 11(e)).

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

The following summarizes key management personnel and directors' compensation for the years ended December 31, 2017 and 2016:

Year ended December 31,		**2017**		2016
Compensation and benefits	**$**	**1,839**	$	1,482
Post-employment benefits		**202**		620
Share-based payments		**260**		321
LTIP		**(33)**		(130)
	$	**2,268**	$	2,293

The following summarizes key management personnel and directors share ownership of the Company as of December 31, 2017, and 2016:

December 31,	**2017**	2016 (1)
Number of Class A Common shares held	**377,871**	232,207
Percentage of total Class A Common shares issued	**2.30%**	2.29%

(1) Class A Common shares were adjusted due to the share consolidation in December 2017 (see Note 11(b)) for comparative purposes.

19. Subsequent event:

During January 2018, 175,024 warrants (146,983 warrants issued on January 21, 2014 adjusted for anti-dilution provisions on March 30, 2017) naturally expired.