2015 ANNUAL REPORT

Intermap Technologies Corporation

INTERMAP®

Corporate Information

OFFICES

Canadian Corporate Office
Intermap Technologies Corp.
840–6th Avenue SW
Suite 200
Calgary, AB T2P 3E5
Canada
Phone: (403) 266-0900
Fax: (403) 265-0499

Denver Worldwide Headquarters
Intermap Technologies, Inc.
8310 South Valley Highway
Suite 400
Englewood, CO 80112-5809
United States
Phone: (303) 708-0955
Fax: (303) 708-0952

P.T. ExsaMap Asia
Wisma Anugraha - 2nd Floor
Jl. Taman Kemang No.32B
Jakarta, Selatan 12510
Indonesia
Phone: +62 021 719 3808
Fax: +62 021 719 3818

Intermap Technologies s.r.o.
Zelený pruh 95/97
140 00 Prague 4
Czech Republic
Phone: +420 261 341 411
Fax +420 261 341 414

BOARD OF DIRECTORS

Partick A. Blott
Chairman and CEO
New York, New York, USA

Philippe Frappier
Director
Toronto, Ontario, Canada

Andrew P. Hines
Director and Corporate Secretary
Westfield, New Jersey, USA

Michael R. Zapata
Director
New York, New York, USA

TRANSFER AGENT

Computershare Trust
Company of Canada
600, 530 - 8th Avenue S.W.
Calgary, Alberta T2P 3S8
Canada

AUDITORS

KPMG LLP
150 Elgin Street
Suite 1800
Ottawa, ON K2P 2P8
Canada

STOCK EXCHANGE

INTERMAP STOCK IS LISTED
ON THE TORONTO STOCK
EXCHANGE UNDER THE
SYMBOL "IMP."

OFFICERS AND KEY PERSONNEL

Patrick A. Blott
Chairman and CEO

Jennifer S. Bakken
Senior Vice President, Finance

Management's Discussion and Analysis

For the year ended December 31, 2016

For purposes of this discussion, "Intermap®" or the "Company" refers to Intermap Technologies® Corporation and its subsidiaries. This management's discussion and analysis (MD&A) is provided as of March 30, 2017, and should be read together with the Company's audited Consolidated Financial Statements and the accompanying notes for the years ended December 31, 2016 and 2015. The results reported herein have been prepared in accordance with International Financial Reporting Standards (IFRS) and, unless otherwise noted, are expressed in United States dollars.

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

FORWARD-LOOKING STATEMENTS

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

The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: (i) there will be adequate liquidity available to the Company to carry out its operations; (ii) payments on material contracts will occur within a reasonable period of time after contract completion; (iii) the continued sales success of Intermap's products and services; (iv) the continued success of business development activities; (v) there will be no significant delays in the development and commercialization of the Company's products; (vi) the Company will continue to maintain sufficient and effective production and software development capabilities to compete on the attributes and cost of its products; (vii) there will be no significant reduction in the availability of qualified and costeffective human resources; (viii) the continued existence and productivity of subsidiary operations; (ix) demand for geospatial related products and services will continue to grow in the foreseeable future; (x) there will be no significant barriers to the integration of the Company's products and services into customers' applications; (xi) the Company will be able to maintain compliance with applicable contractual and regulatory obligations and requirements, and (xii) superior technologies/products do not develop that would render the Company's current product offerings obsolete.

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

BUSINESS OVERVIEW

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

Intermap has the ability to create its own digital 3D geospatial data using its proprietary IFSAR radar technology mounted in a Learjet aircraft. Intermap's radar-based technology allows it to collect data at any time of the day, including under conditions such as cloud cover or darkness, which are conditions that limit most competitive technologies. The IFSAR radar technology also enables data to be collected over larger areas, at higher collection speeds, and at accuracy levels that are difficult to achieve with competitive technologies. Once the raw digital data is collected, it is processed to create three different geospatial datasets: digital surface models, digital terrain models, and orthorectified radar images. These datasets can then be further processed and/or augmented with additional data to create value-added products.

Intermap uses its NEXTMap® database, together with third party data, to create geospatial solutions for its customers. The Company has been actively transitioning its NEXTMap program from primarily an internally created IFSAR radar-only dataset to an aggregated dataset of IFSAR-derived data and third-party data collected by multiple sensor technologies, including light detection and ranging (LiDAR), photogrammetry, satellite, and other available sources. The NEXTMap database also includes information such as 3D city models, census data, real-time traffic, 3D road vectors, outdoor advertising assets, weather related hazards, points of interest, cellular towers, flood models and wildfire models. The Company has many years of experience aggregating data derived from a number of different sensor technologies and data sources.

Unlike other geospatial companies, Intermap often retains ownership of its data and generates further revenue by licensing the use of its geospatial products, including with added value for specific applications. Intermap is striving to become the premier worldwide provider of geospatial data solutions, and currently offers 3D geospatial data for the entire globe.

FINANCIAL INFORMATION

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

Selected Annual InformationRevenue

U.S. $ millions, except per share data		**2016**		2015		2014
Revenue:						
Acquisition services	**$**	**3.5**	$	3.8	$	2.9
Value-added data		**2.2**		3.8		4.4
Software and solutions		**1.3**		1.0		1.0
Total revenue	**$**	**7.0**	$	8.6	$	8.3
Operating loss	**$**	**(9.5)**	$	(9.2)	$	(13.7)
Change in fair value of derivative instruments	**$**	**1.9**	$	(2.6)	$	2.0
Financing costs	**$**	**(10.1)**	$	(6.7)	$	(2.0)
Net loss	**$**	**(15.3)**	$	(18.1)	$	(12.8)
EPS basic and diluted	**$**	**(0.15)**	$	(0.19)	$	(0.14)
Adjusted EBITDA	**$**	**(7.4)**	$	(7.6)	$	(12.0)
Assets:						
Cash, restricted cash, amounts receivable, and unbilled revenue	**$**	**7.2**	$	3.1	$	2.1
Total assets	**$**	**11.5**	$	5.3	$	5.3
Liabilities:						
Long-term liabilities (including finance lease obligations)	**$**	**24.6**	$	7.8	$	0.5
Total liabilities	**$**	**36.0**	$	27.7	$	11.8

Revenue

Consolidated revenue for the year ended December 31, 2016 totaled $7.0 million, compared to $8.6 million for the same period in 2015, representing a 19% decrease. As of December 31, 2016, there remained $1.2 million in revenue from existing contracts ($0.9 million in mapping services and $0.3 million in 3DBI software applications contracts) to be recognized in future periods.

Acquisition services revenue for the year ended December 31, 2016 totaled $3.5 million, compared to $3.8 million for the same period in 2015. Revenue for both years relates to the timing of progress on similar sized acquisition projects in North America. Value-added data revenue for the years ended December 31, 2016 and 2015 totaled $2.2 million and $3.8 million, respectively. The decrease was primarily the result of two large data sales occurring during the fourth quarter of 2015, without similar sized sales in 2016.

Software and solutions revenue increased for the year ended December 31, 2016 to $1.3 million from $1.0 million for 2015. The increase was primarily due to the InsitePro software application gaining broader market acceptance during 2016.

Classification of Operating Costs

The composition of the operating costs classification on the Consolidated Statements of Profit and Loss and Other Comprehensive Income is as follows:

U.S. $ millions		**2016**		2015
Personnel	**$**	**9.4**	$	11.0
Purchased services & materials		**3.3**		3.6
Facilities and other expenses		**0.3**		0.5
Travel		**1.8**		1.8
	$	**14.8**	$	16.9

Personnel

Personnel expense includes direct labor, employee compensation, employee benefits, and commissions. Personnel expense for the years ended December 31, 2016 and 2015, totaled $9.4 million and $11.0 million, respectively. The 14% year-over-year decrease in personnel expense is primarily due to the organizational restructuring designed to focus the Company's resources towards data acquisition, data integration, data fusion, and value-added analytics, and support the Company's effort to lower on-going operating costs.

During September and October 2016, the Company notified certain individual employees, including executive management, of its intent to terminate their employment. The company incurred $0.9 million in restructuring charges because of this reduction.

Consolidated active employee headcount was 191 (including 116 in Jakarta, Indonesia) at December 31, 2016, a 20% increase from 158 (including 61 in Jakarta, Indonesia) at December 31, 2015. The increase in personnel on a year-over-year basis was the result of an increase in operations of 53% or 50 personnel (all in Jakarta, Indonesia) offset by reductions in (i) professional services 67% or 2 personnel; (ii) product management 60%, or 3 personnel; (iii) software development 40%, or 8 personnel; (iv) sales and marketing 14%, or 2 personnel; and (v) general and administrative 11% or 2 personnel. While active employee headcount did increase year-over-year, the mix of employee locations and pay levels, resulted in the decrease in total personnel expense.

Non-cash compensation expense is included in operating costs and relates to the Company's long-term incentive plan, share options, and shares granted to employees and nonemployees. Non-cash share-based compensation for the years ended December 31, 2016 and 2015, totaled $0.3 million and $0.6 million, respectively. The year-over-year decrease was partially due to the decrease in the Company's share price during the period, which drives the valuation of the long-term incentive plan liability, resulting in a decrease of $0.2.

Purchased Services and Materials

Purchased services and materials (PS&M) includes (i) aircraft and radar related costs, including jet fuel; (ii) professional and consulting costs; (iii) third-party support services related to the collection, processing and editing of the Company's airborne radar data collection activities; (iv) third-party data collection activities (i.e. LiDAR, satellite imagery, air photo, etc.); and (v) third-party software expenses (including maintenance and support).

For the years ended December 31, 2016 and 2015, PS&M expense was $3.3 million and $3.6 million, respectively. The decrease is due to decreases in subcontractor expenses and discontinued royalty obligations following the December 2016 debt restructuring, discussed below.

Facilities and Other Expenses

For the years ended December 31, 2016 and 2015, facilities and other expenses were $0.3 million and $0.6 million, respectively. The decrease was due to a decrease in rent expenses and general office overhead expenses during 2016.

Travel

For the years ended December 31, 2016 and 2015, travel expense was $1.8 million for both periods.

Adjusted EBITDA

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

U.S. $ millions		**2016**		2015
Net loss	**$**	**(15.3)**	$	(18.1)
Financing costs		**10.1**		6.7
Income tax recovery		**(2.4)**		(0.1)
Depreciation of property and equipment		**0.8**		1.0
EBITDA	**$**	**(6.8)**	$	(10.5)
Change in value of derivative instruments		**(1.9)**		2.6
Restructuring costs		**0.9**		-
Share-based compensation		**0.3**		0.6
Gain on disposal of equipment		**-**		(0.1)
Loss (gain) on foreign currency translation		**0.1**		(0.2)
Adjusted EBITDA	**$**	**(7.4)**	$	(7.6)

Adjusted EBITDA for the year ended December 31, 2016 was negative $7.4 million, compared to negative $7.6 million for the same period in 2015.

Financing Costs

Financing costs for the year ended December 31, 2016 totaled $10.1 million, compared to $6.7 million for the same period in 2015. The increase in year-over-year financing costs is attributable to interest incurred, and accretion on, outstanding notes payable during 2016.

Depreciation of Property and Equipment

Depreciation expense for the year ended December 31, 2016 and 2015 was $0.8 million and $1.0 million, respectively. The decrease is due to assets reaching the end of their useful lives, without the addition of new assets.

Derivative Instruments

The Company has issued non-broker warrants that are considered to be derivative liabilities as the warrants are 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. During the years ended December 31, 2016 and 2015, the change in the fair value of derivative instruments was a gain of $1.9 million and a loss of $2.6 million, respectively. See Selected Quarterly Information for the change recognized each reporting period.

Gain (Loss) on Foreign Currency Translation

The Company continuously monitors the level of foreign currency assets and liabilities carried on its consolidated balance sheet in an effort to minimize as much of the foreign currency translation exposure as possible. The difference between any amounts incurred in one currency and settled in a different currency is recognized as a gain or loss in the period it is settled.

During the year ended December 31, 2016, a foreign currency translation loss of $105 thousand was recorded, compared to a gain of $136 thousand for the same period in 2015.

Amounts Receivable and Unbilled Revenue

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

Amounts receivable and unbilled revenue decreased from $2.3 million at December 31, 2015, to $0.6 million at December 31, 2016. These amounts represent 33 days sales at December 31, 2016, compared to 81 days' sales at December 31, 2015, and reflect specific project billing milestones on current contracts that were in progress on those dates. Amounts receivable aged greater than 90 days decreased to $93 thousand at December 31, 2016 from $327 thousand at December 31, 2015. The balance relates to historically slow paying, but reliable customers. The Company reviews the amounts receivable aging monthly and monitors the payment status of each invoice. The Company also communicates with slow paying or delinquent customers on a regular basis regarding the schedule of future payments. At the balance sheet date, $6 thousand has been reserved as uncollectible and the balance of amounts receivable balances greater than 90 days are considered to be collectible.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities generally include trade payables, project-related accruals, personnel-related costs, and interest on outstanding debt obligations. Accounts payable and accrued liabilities decreased to $3.6 million at December 31, 2016, from $6.9 million at December 31, 2015.

U.S. $ millions		**December 31 2016**		December 31, 2015
Accounts payable	$	2.3	$	2.4
Accrued liablities		1.3		4.5
	$	3.6	$	6.9

The accounts payable balance decreased slightly from $2.4 million at December 31, 2015 to $2.3 million at December 31, 2016. The increase is due primarily to the timing of payments on trade payables. The accrued liabilities balance decreased from $4.5 million at December 31, 2015 to $1.3 million at December 31, 2016. The decrease is primarily due to the elimination of accrued interest and accrued royalty, following the December 2016 debt restructuring, discussed below.

Notes Payable

The notes payable balance of $27.7 million at December 31, 2016 reflects the debt restructuring that occurred during 2016 as follows:

- During the first quarter of 2016, the February 23, 2015 note for $7.3 million and related accrued interest of $1.8 million were consolidated into a new note payable dated March 3, 2016 totaling $9.1 million; simple interest payable at maturity at an annual rate of 15%. Additionally, effective interest of $7.3 million from a 17.5% royalty on net revenues, which is a component of the February 23, 2015 financing, is also included in Notes Payable as it is considered a perpetual debt instrument with a floating interest rate. Effective December 14, 2016, the royalty payment requirements were eliminated.
- During the second quarter of 2016, the debt financing that occurred on January 14, 2015 for $0.5 million and accrued interest of $0.1 million was paid to the holder. Also, three debt financings that occurred during 2015 (the April 2, 2015 financing in the amount of $1.5 million; simple interest payable at maturity at an annual rate of 20%, the April 28, 2015 financing in the amount of $2.5 million; simple interest payable at maturity at an annual rate of 20%, and the July 13, 2015 financing in the amount of $3.0 million; simple interest payable at maturity at an annual rate of 15%) were consolidated into a new note payable dated April 12, 2016 totaling $13.2 million; simple interest payable at maturity at an annual rate of 15%.
- During the third quarter of 2016, the Company issued two notes. The first debt financing occurred on July 8, 2016 for $2.0 million; simple interest payable at maturity at an annual rate of 15%. Two debt financings that occurred during the first and second quarter of 2016 (the March 2, 2016 financing in the amount of $9.1 million; simple interest payable at maturity at an annual rate of 15%, and the April 12, 2016 financing in the amount of $13.2 million; simple interest payable at maturity at an annual rate of 15%) plus related

accrued interest of $1.5 million and an additional $2.0 million debt financing were consolidated into a new note payable dated September 15, 2016 totaling $25.8 million; simple interest payable at maturity at an annual rate of 15%.

- During the fourth quarter of 2016, the Company restructured the current outstanding notes (the July 8, 2016 note for $2.0 million and the September 15, 2016 note for $25.8 million), which resulted in the extension of the maturity date to September 1, 2020 and the elimination of the interest. The restructuring also included the elimination of the 17.5% royalty agreement (See Note 7 to the Consolidated Financial Statements for further discussion of the terms of the notes). Additionally, the Company received a $6.0 million bridge loan on December 14, 2016. The loan is payable on the earlier of March 31, 2017 or the completion of the Rights Offering, which was initiated subsequent to yearend. All of the proceeds of the Rights Offering will be used to pay down the bridge loan, and any amounts which remain outstanding after the Rights Offering will be converted into a term loan due September 1, 2020. The loan is non-interest bearing. (See Notes 7 and 20 to the Consolidated Financial Statements for further discussion of the terms of the notes and Rights Offering).

The notes payable balance of $16.4 million at December 31, 2015 reflects five private placement debt financings that closed during 2015 as follows:

- A promissory note on January 14, 2015 for $0.5 million; simple interest payable at maturity at an annual rate of 18%.
- A promissory note on February 23, 2015 for $7.3 million; simple interest payable at maturity at an annual rate of 25%, in which $5.8 million of the proceeds was used to retire the obligations of an outstanding $5.0 million note (plus accrued interest of $0.8 million) issued on February 6, 2014 and was due and payable on February 6, 2015.
- A promissory note on April 2, 2015 in the amount of $1.5 million; simple interest is payable at maturity at an annual rate of 20%.
- A promissory note on April 28, 2015 in the amount of $2.5 million; simple interest is payable at maturity at an annual rate of 20%.
- A promissory note on July 13, 2015 in the amount of $3.0 million; simple interest is payable at maturity at an annual rate of 15%. The two debt financings that occurred during December 2014 totaling $1.0 million were retired (See Note 7 to the Consolidated Financial Statements for further discussion of the terms of the notes).

Project Financing

The project financing balance at December 31, 2016 increased to $1.4 million from $1.3 million from December 31, 2015. The increase is due to accrued interest.

Unearned Revenue and Deposits

The unearned revenue balance at December 31, 2016 and 2015 was $0.5 million for both periods. This balance consists of payments received from customers on revenue contracts for which the Company has not yet fulfilled its obligations, or which the necessary revenue recognition criteria has not been met.

Finance Lease Obligations

Finance lease obligations at December 31, 2016 remained consistent at $0.1 million from December 31, 2015.

QUARTERLY FINANCIAL INFORMATION

Selected Quarterly Information

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

U.S. $ millions, except per share data	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016	Q3 2016	**Q4 2016**
Total revenue	$ 1.0	$ 0.7	$ 3.7	$ 3.2	$ 1.4	$ 0.9	$ 3.3	**$ 1.4**
Depreciation and amortization	$ 0.2	$ 0.2	$ 0.3	$ 0.3	$ 0.2	$ 0.2	$ 0.2	**$ 0.2**
Financing costs	$ 1.1	$ 0.9	$ 1.6	$ 3.1	$ 6.6	$ 1.0	$ 1.4	**$ 1.1**
Change in fair value of derivative intruments	$ -	$ 3.7	$ 0.4	$ (1.5)	$ (0.1)	$ (0.7)	$ (0.6)	**$ (0.5)**
Operating income (loss)	$ (4.0)	$ (4.4)	$ (1.0)	$ 0.2	$ (2.7)	$ (3.5)	$ (1.0)	**$ (2.3)**
Net loss	$ (4.9)	$ (9.0)	$ (2.8)	$ (1.4)	$ (9.3)	$ (3.8)	$ (2.0)	**$ (0.2)**
Net loss per share - basic and diluted	$ (0.05)	$ (0.10)	$ (0.03)	$ -	$ (0.09)	$ (0.04)	$ (0.02)	**$ -**
Adjusted EBITDA	$ (3.6)	$ (3.7)	$ (0.5)	$ 0.2	$ (2.3)	$ (3.3)	$ (0.8)	**$ (1.0)**

Revenue

Consolidated revenue for the fourth quarter of 2016 totaled $1.4 million, compared to $3.2 million for the same period in 2015, representing a 54% decrease.

Acquisition services revenue for the quarter ended December 31, 2016 totaled $0.8 million, compared to $0.4 million for the same period in 2015. Revenue was recognized on contracts in North America for both periods, and the increase relates to differences in the timing of progress incurred on each project.

Value-added data revenue for the quarter ended December 31, 2016 and 2015 totaled $0.4 million and $2.4 million, respectively. The decrease was primarily the result of one large sale from the Company's NEXTMap USA dataset totaling $0.7 million and one large sale from the Company's NEXTMap Asia dataset totaling $1.0 million during the fourth quarter of 2015 with no similar size sales in the fourth quarter of 2016.

Software and solutions revenue decreased for the year ended December 31, 2016 to $0.2 million from $0.4 million for 2015. The decrease was primarily due to differences in the timing of solutions sales being more evenly spread through 2016 than 2015.

Personnel

Personnel expense for the three-month periods ended December 31, 2016 and 2015, totaled $1.7 million and $2.3 million, respectively. The decrease in personnel expense is primarily due to the reductions during September and October 2016 that resulted in fewer personnel, including executive management.

Non-cash compensation expense for the quarters ended December 31, 2016 and 2015, totaled positive $0.1 million and negative $0.1 million, respectively. The increase was due to immediate vesting of options issued to the Board of Directors during the fourth quarter of 2016, offset by an adjustment in the cash-settled awards calculation for the Company's longterm incentive plan. See note 12 (h) to the Consolidated Financial Statements for further discussion.

Purchased Services and Materials

For the three-month periods ended December 31, 2016 and 2015, PS&M expense was $0.1 million for both periods.

Facilities and Other Expenses

For the three-month periods ended December 31, 2016 and 2015, facilities and other expenses were $0.7 million and $0.4 million, respectively. The increase was due Board of Director retention payments totaling $0.3 million during the fourth quarter of 2016.

Travel

For the quarters ended December 31, 2016 and 2015, travel expense was $0.1 million for both periods.

CONTRACTUAL OBLIGATIONS

Contractual obligations include (i) operating leases on office locations; (ii) notes payable; and (iii) finance leases on computer equipment and software. Principal and interest repayments of these obligations are as follows:

		Payments due by Period (US $ thousands)			
Contractual obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating leases	$ 720	$ 357	$ 277	$ 86	$ -
Convertible and other notes payable	36,803	6,000	-	30,803	-
Project financing	1,382	1,214	168	-	-
Finance leases	84	56	28	-	-
Total	$ 38,989	$ 7,627	$ 473	$ 30,889	$ -

LIQUIDITY AND CAPITAL RESOURCES

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

Cash used in operations during the year ended December 31, 2016 totaled $8.1 million, compared to $8.2 million during the same period in 2015. The year-over-year decrease in cash used of $0.1 million is due primarily to changes in working capital balances.

Net cash used in investing activities totaled $0.3 million for the year ended December 31, 2016, compared to $50 thousand during the same period in 2015. Net cash used in investing activities for the year ended December 31, 2016, was for aircraft radar upgrades.

Net cash used in investing activities during the year ended December 31, 2015, was for the purchase of computer related equipment.

Net cash generated from financing activities totaled $14.9 million for the year ended December 31, 2016 compared to $7.8 million during the same period in 2015. The net cash generated during the year ended December 31, 2016 resulted from the closing of debt financings totaling $15.0 million and $0.8 million restricted cash adjustment, offset by $0.2 million of issuance costs, repayment of long term debt and finance leases of $0.1 million, and repayment of a notes payable of $0.6 million. The net cash generated from financing activities during the year ended December 31, 2015 resulted from the closing of debt financing totaling $8.5 million, proceeds from the exercise of warrants of $0.2 million and from reimbursable project funding of $0.1 million; offset by $0.8 million of movement to restricted cash, $0.1 million of issuance costs, and the repayment of long-term debt and capital leases of $0.1 million.

The cash position of the Company at December 31, 2016 (cash, restricted cash and cash equivalents) was $6.5 million, compared to $0.8 million at December 31, 2015. In connection with the December 14, 2016 note payable restructuring, the restricted cash requirements that were previously in place, as a result of the April 28, 2015 note payable, have been eliminated. Working capital improved to negative $3.8 million as of December 31, 2016, from negative $16.6 million as of December 31, 2015, primarily due to (i) the decrease in accounts payable and accrued liabilities of $3.3 million (primarily from the elimination of accrued interest and accrued royalty); and (ii) the movement of $9.1 million current portion of notes payable to long-term (due to the restructuring of the promissory notes).

During the year ended December 31, 2016, the Company generated an operating loss of $8.6 million, incurred negative adjusted EBITDA of $7.4 million, and negative cash flow from operations of $8.1 million. Revenue for the year ended December 31, 2016 was $7.0 million, which represents an $1.6 million decrease in revenue from the same period in 2015. The Company has a shareholders' deficiency of $24.6 million.

The above factors in the aggregate raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to successfully secure sales with upfront payments, and/or obtain further financing, including financing to replace the debt maturing in 2017. Failure to achieve one or more of these requirements could have a materially adverse effect on the Company's financial condition and or results of operations. The Board of Directors and management have taken actions to address these issues including a complete change in the composition of the Board of Directors, restructuring all outstanding debt agreements, including the cancelation of the royalty obligation, and an organizational restructuring which included a change in executive management of the Company as well as a reduction in its work force. Additionally, subsequent to yearend, the Company completed a Rights Offering (see Note 20 to the Consolidated Financial Statements), in which all proceeds will be used to repay the short-term note payable.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

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

Goods Sold

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

Software Subscriptions

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

Fixed-price Contracts

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

Multiple Component Arrangements

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

Data Library (NEXTMap)

The Company maintains a data library, which is the result of the acquisition and processing of digital map data. Ownership rights to this data are typically retained by the Company and the data is licensed to customers. As at December 31, 2016, the carrying value of the data library is $Nil. In accordance with IFRS, the Company will review each reporting period for indications that an adjustment to the carrying value may be necessary.

Use of estimates

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

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:

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 and intangible assets.

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, 2016, amounts receivable represented 7% 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.

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.

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. In particular, changes in estimates of the fair value of the warrants can have a material impact on the reported loss and comprehensive loss for a given period. Any impact reported has no net effect on cash flows or the operating results of the Company.

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. 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.

Compound financial instruments

The Company has issued compound financial instruments which comprise convertible notes denominated in United States dollars that 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. The assumptions and models used for estimating fair value of convertible note transactions are disclosed in Note 7 to the Consolidated Annual Financial Statements.

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 to the Consolidated Annual Financial Statements.

Revenue

Changes to the assumptions used to measure revenue could impact the amount of revenue recognized in the consolidated financial statements.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company adopted the following new accounting standards and amendments which are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2016. The standards and amendments did not have a significant impact on the financial statements of the Company.

Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets

In May 2014, the International Accounting Standards Board issued amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets. These amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. They also introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments explain that an expected future reduction in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset. These became effective annual periods beginning on or after January 1, 2016.

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

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 after the current reporting period.

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 intend to adopt this standard early and is currently evaluating the impact of adopting this standard on the consolidated financial statements.

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 Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard and accordingly cannot yet reasonably estimate its effect on the consolidated financial statements.

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 on the consolidated financial statements.

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. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2017. Early adoption is allowed. The Company does not intend to adopt these amendments early and is currently evaluating the impact of adopting these amendments and accordingly cannot yet reasonably estimate their effect on the consolidated financial statements.

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. Early adoption is allowed. The Company does not intend to adopt these amendments early and is currently evaluating the impact of adopting these amendments and accordingly cannot yet reasonably estimate their effect on the consolidated financial statements.

Amendments to IFRS 2, Share Based Payments

In June 2016, the IASB issued amendments to IFRS 2. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements for accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. They also provide guidance on the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2018. Early adoption is allowed and specific transitional provisions apply. The Company does not intend to adopt these amendments early and is currently evaluating the impact of adopting these amendments and accordingly.

OUTSTANDING SHARE DATA

The Company's authorized capital consists of an unlimited number of Class A common shares without par value and an unlimited number of Class A participating preferred shares without par value. At the close of business on March 30, 2017, 161,457,307 Class A common shares were issued and outstanding. There are no preferred shares currently issued and outstanding.

As of March 30, 2017, potential dilutive securities include (i) 7,860,247 outstanding share options in the Company's share option plan with a weighted average exercise price of C$0.22, and (ii) 21,412,684 warrants outstanding with a weighted average exercise price of C$0.09. Each option and warrant entitles the holder to purchase one Class A common share. Of the total warrants outstanding as of March 30, 2017, 3,430,549 warrants are subject to approval of the Toronto Stock Exchange pursuant to the adjustment provisions contained in the warrant agreements in connection with the completion of the Rights Offering.

Directors of the Company purchased an aggregate of 4,589,080 warrants from an arm's length holder of such warrants in January 2017. The warrants are subject to adjustment as set forth above and will result in 5,464,564 warrants being held by current Directors of the Company.

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

Internal Control over Financial Reporting

The Company's Chairman and Chief Executive Officer and the Company's Senior Vice President have designed, or have caused to be designed under their supervision, internal control over financial reporting as defined under National Instrument 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings,* to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's Chairman and Chief Executive Officer and the Company's Senior Vice President have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and have determined, based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (2013) and on this evaluation, that such internal controls over financial reporting were effective at December 31, 2016.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the design of internal control over financial reporting that occurred during the year ended December 31, 2016, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure Controls and Procedures

The Company's Chairman and Chief Executive Officer and the Company's Senior Vice President have designed, or have caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information relatingto the Company has been made known to them and that information required to be disclosed in the Company's annual filings, interim filings or other reports filed by it or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified by applicable securities legislation. The Company's Chairman and Chief Executive Officer and the Company's Senior Vice President have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures and have determined, based on that evaluation, that such disclosure controls and procedures were effective at December 31, 2016.

RISKS AND UNCERTAINTIES

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

Availability of Capital

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

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

Revenue Fluctuations

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

Nature of Government Contracts

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

Project Finance Facilities

Intermap's contracts may include significant down payments and the commencement of work under such contracts may be dependent on the finalization of a third-party project finance facility to provide for the down payment and progress payments under the terms of the contract. While the Company expects that such financing facilities will be finalized in a reasonable period of time from the date of contract completion, Intermap is typically not a party to the financing facility negotiations and both finalization and timing of the financing facility is therefore outside of the Company's control. No assurance can be given that any required financing facility will ultimately be completed subsequent to contract finalization.

General Economic Trends

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

Key Customers

During 2016, the Company had one key customer that accounted for 50% of total revenue. During 2015, 44% of the revenue was attributable to the same customer. To the extent that significant customers cancel or delay orders, Intermap's revenue, earnings, and cash flow could be materially and adversely affected.

Executive Talent

Intermap is focused on aligning its resources with its acquisition services, value added data and software and solutions revenue opportunities. This realignment requires the retention of executive talent. The Company will continue to invest in training and leadership development to retain talent. Although Intermap has a talented team of experienced executives, it may not be able to further develop executive talent internally or attract and retain enough executive talent to effectively manage the anticipated growth and changes within the Company.

Competing Technologies

With respect to the Company's software applications, several direct and indirect competitors are currently in the market with product offerings that could be considered at least partially competitive to Intermap's products. These potential competitors vary in size and could have greater technical and/or financial resources than the Company, to develop and market their products. The financial performance of the Company may be adversely affected by such competition. Additionally, no assurances can be given that additional direct competitors to the Company may not be formed or that the Company may not lose some or all of its contracts with existing or future customers, thereby decreasing its ability to compete. Also, existing and future customers may have, or may develop, in-house solutions that could take the place of the Company's software applications. Any adverse change in the business relationships with the Company's customers or partners could have a material adverse impact on the Company's software applications business and its future prospects.

With respect to the Company's radar data acquisition business, it is possible that commercially available satellite images could, in the future, match or come close to the image resolution offered by the Company's radar technology. Intermap continues to evaluate its data collection capabilities and look for improvements to the performance of its radar technology. Although there are only a few direct Intermap competitors currently, the industry is characterized by rapid technological progress. Intermap's ability to continue to develop and introduce new products and services, or incorporate enhancements to existing products and services, may require significant additional research and development expenditures and investments in support infrastructure.

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

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

Common Share Price Volatility

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

Loss of Proprietary Information

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

Software Functionality

Defects in the Company's software applications, delays in delivery, and failures or mistakes in the Company's software code could materially harm the Company's business, including customer relationships and operating results.

Internet and System Infrastructure Functionality

The end customers of the Company's software applications depend on internet service providers, online service providers and the Company's infrastructure for access to the software applications the Company provides to its customers. These services are subject to service outages and delays due to system failures, stability or interruption. As a result, the Company may not be able to meet a satisfactory level of service as agreed to with its customers, which could have a material adverse effect on the Company's business, revenues, operating results and financial condition.

Information Technology Security

The Company's software applications are dependent on its ability to protect its computer equipment and the information stored in its data centers against damage that may be caused by fire, power loss, telecommunication failures, unauthorized intrusion, computer viruses, disabling devices and other similar events. A failure in the Company's production systems or a disaster or other event affecting production systems or business operations, both internally and externally, could result in a disruption to the Company's software services. Such a disruption could also impact the Company's reputation and cause it to lose customers, revenue, face litigation, or necessitate customer service/repair work that would involve substantial costs and could ultimately have a material impact on the Company.

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

Breakdown of Strategic Alliances

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

Exporting Products – Political Considerations

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

Foreign Operations

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

Political Instability

Intermap understands that not every region enjoys the political stability that is taken for granted in North America. Political or significant instability in a region where Intermap is conducting data collection activities, or where Intermap has clients, could adversely impact Intermap's business.

Regulatory Approvals

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

Aircraft / Radar Lost or Damaged

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

Global Positioning System (GPS) Failure

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

Information Openly Available to the Public

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

Force Majeure

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

Additional Information

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

Management's Report

The accompanying financial statements of Intermap Technologies Corporation and all the information in this annual report are the responsibility of the Company's management. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, using best estimates and judgments, where appropriate. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with the financial statements.

Management maintains appropriate systems of internal control that provide reasonable assurance that assets are adequately safeguarded and that the financial reports are sufficiently well-maintained for the timely preparation of the consolidated financial statements.

The Audit Committee members, all of whom are non-management directors, are appointed by the Board of Directors. The Committee has reviewed these statements with the Auditors and management. The Board of Directors has approved the financial statements of the Company, which are contained in this report.

Patrick A. Blott
Chairman of the Board and Chief Executive Officer

Jennifer S. Bakken
Senior Vice President, Finance

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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2(a) in the consolidated financial statements which indicates that Intermap Technologies Corporation incurred an operating loss of $8,569,000 and negative cash flows from operations of $8,063,000 for the year ended December 31, 2016 and as at December 31, 2016 had a shareholders' deficiency of $24,554,000 and a working capital deficiency of $3,849,000. These conditions along with other matters as set forth in note 2(a) in the consolidated financial statements, indicate the existence of a material uncertainty that casts significant doubt about Intermap Technologies Corporation's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 30, 2017
Ottawa, Canada

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(In thousands of United States dollars)

		December 31, 2016		December 31, 2015
Assets				
Current assets:				
Cash and cash equivalents	$	**6,527**	$	-
Restricted cash		**-**		801
Amounts receivable		**600**		2,283
Unbilled revenue		**30**		11
Prepaid expenses		**409**		295
		7,566		3,390
Property and equipment (Note 5)		**1,457**		1,922
Deferred tax asset		**2,458**		-
	$	**11,481**	$	5,312
Liabilities and Shareholders' Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities (Note 6)	$	**3,555**	$	6,872
Current portion of notes payable (Note 7)		**5,864**		9,087
Current portion of project financing (Note 8)		**1,214**		1,121
Current portion of deferred lease inducements		**24**		101
Unearned revenue		**469**		467
Warrant liability (Note 13)		**137**		2,085
Income taxes payable		**3**		5
Obligations under finance leases (Note 9)		**49**		75
Current portion of other long-term liabilities (Note 12(h))		**100**		158
		11,415		19,971
Long-term notes payable (Note 7)		**21,837**		7,300
Long-term project financing (Note 8)		**168**		174
Deferred lease inducements		**133**		162
Obligations under finance leases (Note 9)		**24**		34
Other long-term liabilities (Note 12(h))		**-**		92
Deferred tax liabilities (Note 14)		**2,458**		-
		36,035		27,733
Shareholders' deficiency:				
Share capital (Note 12(b))		**196,686**		196,409
Accumulated other comprehensive income		**(146)**		(102)
Contributed surplus (Note 12(c))		**24,497**		11,578
Deficit		**(245,591)**		(230,306)
		(24,554)		(22,421)
Going concern (Note 2(a))				
Commitments (Note 15)				
Subsequent events (Note 20)				
	$	**11,481**	$	5,312

See accompanying notes to consolidated financial statements.

On behalf of the Board:
(Signed) Patrick A. Blott

Patrick A. Blott
Chairman and CEO

On behalf of the Board:
(Signed) Andrew P. Hines

Andrew P. Hines
Director and Corporate Secretary

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

For the years ended December 31,	**2016**	2015
Revenue (Note 10)	**$ 7,049**	$ 8,642
Expenses:		
Operating costs (Note 11(a))	**14,781**	16,860
Restructuring costs (Note 11(b))	**941**	-
Depreciation of property and equipment	**837**	974
Amortization of intangible assets	**-**	13
	16,559	17,847
Operating loss	**(9,510)**	(9,205)
Gain on disposal of equipment	**-**	94
Change in fair value of derivative instruments (Note 13)	**1,948**	(2,572)
Financing costs (Note 11(c))	**(10,069)**	(6,661)
Financing income	**7**	8
(Loss) gain on foreign currency translation	**(105)**	136
Loss before income taxes	**(17,729)**	(18,200)
Income tax expense (Note 14):		
Current	**(14)**	(27)
Deferred	**2,458**	73
	2,444	46
Net loss for the period	**$ (15,285)**	$ (18,154)
Other comprehensive loss:		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	**(44)**	(45)
Comprehensive loss for the period	**$ (15,329)**	$ (18,199)
Basic and diluted loss per share	**$ (0.15)**	$ (0.19)
Weighted average number of Class A common shares - basic & diluted (Note 12(d))	**100,878,954**	96,102,755

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(In thousands of United States dollars)

	Share Capital	Contributed Surplus	Cumulative Translation Adjustments	Deficit	Total
Balance at December 31, 2014	$ 194,377	$ 11,395	$ (57)	$ (212,152)	$ (6,437)
Comprehensive loss for the period	-	-	(45)	(18,154)	(18,199)
Share-based compensation	30	294	-	-	324
Exercise of warrants	1,004	-	-	-	1,004
Exercise of options	57	(22)	-	-	35
Note conversion	556	(16)	-	-	540
New warrant issuance	385	-	-	-	385
Deferred tax effect of convertible note	-	(73)	-	-	(73)
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)	-	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)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of United States dollars)

For the years ended December 31,	2016	2015
Cash flows provided by:		
Operating activities:		
Net loss for the period	$ (15,285)	$ (18,154)
Adjusted for the following non-cash items:		
Depreciation of property and equipment	837	974
Amortization of intangible assets	-	13
Share-based compensation expense	289	638
Gain on disposal of equipment	-	(94)
Amortization of deferred lease inducements	(113)	(144)
Deferred taxes	(2,458)	(73)
Change in fair value of derivative instruments	(1,948)	2,572
Financing costs	10,069	6,661
Current income tax expense	14	27
Interest paid	(18)	(18)
Income tax paid	(16)	(24)
Changes in working capital:		
Amounts receivable	1,679	(896)
Other assets	(133)	169
Accounts payable and accrued liabilities	(917)	73
Unearned revenue	2	16
Loss (gain) on foreign currency translation	(65)	37
	(8,063)	(8,223)
Investing activities:		
Purchase of property and equipment	(305)	(50)
Proceeds from sale of equipment	1	-
	(304)	(50)
Financing activities:		
Proceeds from notes payable	15,000	8,500
Issuance costs of convertible notes and notes payable	(168)	(99)
Proceeds from reimbursable project funding	-	93
Proceeds from exercise of warrants	-	156
Proceeds from exercise of options	-	35
Movement from (to) restricted cash	801	(801)
Repayment of obligations under finance lease	(120)	(146)
Repayment of long-term debt and notes payable	(617)	-
	14,896	7,738
Effect of foreign exchange on cash	(2)	(2)
Increase (decrease) in cash and cash equivalents	6,527	(537)
Cash and cash equivalents, beginning of period	-	537
Cash and cash equivalents, end of period	$ 6,527	$ -

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Reporting entity:

Intermap Technologies ® Corporation (the Company) is incorporated under the laws of Alberta, Canada. The head office of Intermap is located at 8310 South Valley Highway, Suite 400, Englewood, Colorado, USA 80112. Its registered office is located at 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, locationbased 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) Going concern:

These consolidated financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and can realize its assets and discharge its liabilities and commitments in the normal course of business. During the year ended December 31, 2016, the Company incurred an operating loss of $9,510 and negative cash flows from operating activities of $8,063. The Company has a shareholders' deficiency of $24,554 and a working capital deficiency of $3,849.

The above factors in the aggregate raise significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to successfully secure sales with upfront payments or obtain additional financing, including financing to replace the debt maturing in 2017. Failure to achieve one or more of these requirements could have a materially adverse effect on the Company's financial condition and / or results of operations. The Board of Directors and management have taken actions to address these issues including a complete change in the composition of the Board of Directors, restructuring all outstanding debt agreements, including the cancelation of the royalty obligation, and an organizational restructuring which included a change in executive management of the Company as well as a reduction in its work force. Additionally, subsequent to year-end, the Company completed a Rights Offering (see Note 20), in which all proceeds will be used to reduce the balance of the short-term note payable.

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

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

(b) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) 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 March 30, 2017, the date the Board of Directors approved the consolidated 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 – 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, 2016, amounts receivable represented 5% 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. In particular, changes in estimates of the fair value of the warrants can have a material impact on the reported loss and comprehensive loss for a given period. Any impact reported has no net effect on cash flows or the operating results of the Company.

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(g)).

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. The assumptions and models used for estimating fair value of the note transactions are disclosed in Note 7.

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(j)).

(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 UK Limited (a U.K. 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 (a Indonesian corporation).

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 noncontrolling 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 and cash equivalents:

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

(c) Restricted cash:

Restricted cash are amounts to be used to repay promissory notes upon maturity (note 7(d)) and include cash balances and highly liquid marketable securities with maturity at the date of purchase of 30 days or less.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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 straightline 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.

(k) 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.

(l) 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 sharebased 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.

(m) 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.

(n) 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 arenot 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 and cash equivalents	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.

(o) Segments:

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

4. New standards and interpretations:

(a) New accounting standards:

The Company adopted the following new accounting standards and amendments which are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2016.

i. Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets

In May 2014, the International Accounting Standards Board issued amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets. These amendments prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. They also introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. The amendments explain that an expected future reduction in selling prices could be indicative of a reduction of the future economic benefits embodied in an asset. These became effective annual periods beginning on or after January 1, 2016.

(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 intend to adopt this standard early and is currently evaluating the impact of adopting this standard 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 Company does not intend to adopt this standard early and is currently evaluating the impact of adopting this standard and accordingly cannot yet reasonably estimate its effect on the consolidated financial statements.

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 on the consolidated financial statements.

iv. 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. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2017. Early adoption is allowed. The Company does not intend to adopt these amendments early and is currently evaluating the impact of adopting these amendments and accordingly cannot yet reasonably estimate their effect on the consolidated financial statements.

v. 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. Early adoption is allowed. The Company does not intend to adopt these amendments early and is currently evaluating the impact of adopting these amendments and accordingly cannot yet reasonably estimate their effect on the consolidated financial statements.

vi. Amendments to IFRS 2, Share Based Payments

In June 2016, the IASB issued amendments to IFRS 2. The amendments, which were developed through the IFRS Interpretations Committee, provide requirements for accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. They also provide guidance on the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. Theseamendments are to be applied prospectively for annual periods beginning on or after January 1, 2018. Early adoption is allowed and specific transitional provisions apply. The Company does not intend to adopt these amendments early and is currently evaluating the impact of adopting these amendments and accordingly.

5. Property and equipment:

Property and equipment	Aircraft and engines	Radar and mapping equipment	Furniture and fixtures	Leases	Under construction	Total
Balance at December 31, 2014	$ 1,708	$ 940	$ 6	$ 179	$ -	$ 2,833
Additions	-	36	-	-	14	50
Finance Lease	-	13	-	-	-	13
Depreciation	(462)	(434)	(1)	(77)	-	(974)
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

Property and equipment	Aircraft and engines	Radar and mapping equipment	Furniture and fixtures	Leases	Under construction	Total
Cost	$ 10,951	$ 27,346	$ 372	$ 921	$ 14	$ 39,604
Accumulated depreciation	(9,705)	(26,791)	(367)	(819)	-	(37,682)
Balance at December 31, 2015	$ 1,246	$ 555	$ 5	$ 102	$ 14	$ 1,922
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

During the twelve months ended December 31, 2016, the Company disposed assets of $39 (December 31, 2015 - $96), recognized a gain of $Nil on those assets (December 31, 2015 - $94) and received cash proceeds of $1 (December 31, 2015 - $Nil).

6. Accounts payable and accrued liabilities:

		December 31, 2016		December 31, 2015
Accounts payable	$	2,296	$	2,362
Accrued liablities(1)		1,251		4,509
Other taxes payable		8		1
	$	3,555	$	6,872

(1) Accrued liabilities include $Nil of accrued interest and $Nil of accrued royalties on notes payable for the twelve months ended December 31, 2016 (twelve months ended December 31, 2015 – $2,421 and $1,129).

7. Notes payable:

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

The following table details the liability and equity components of each note payable balance at December 31, 2015:

Closing Date of Note	July 13, 2015	April 28, 2015	April 1, 2015	February 23, 2015	January 14, 2015	Total
Proceeds from issuance of notes	$ 3,000	$ 2,500	$ 1,500	$ 1,500	$ 500	$ 9,000
Retirement of 2014 note and interest	-	-	-	5,800	-	5,800
Transaction costs	(14)	(31)	(5)	(20)	(29)	(99)
Fair value of warrants recorded in equity	-	-	(271)	-	-	(271)
Warrant liability (on date of issuance)	-	-	-	-	(118)	(118)
Effective interest on note discount	12	21	110	1,829	103	2,075
Carrying amount of notes payable	$ 2,998	$ 2,490	$ 1,334	$ 9,109	$ 456	$ 16,387
Less current portion	(2,998)	(2,490)	(1,334)	(1,809)	(456)	(9,087)
Long-term portion of notes payable	$ -	$ -	$ -	$ 7,300	$ -	$ 7,300

(a) January 14, 2015 note payable:

On January 14, 2015, the Company issued a promissory note for $500 with simple interest payable at maturity at an annual rate of 18%. The note included 6,000,000 detachable warrants to purchase Class A common shares of the Company, of which 1,469,834 warrants were issued at a per share price of C$0.08 and expire on January 21, 2018. The remaining 4,530,166 warrants were issued at a per share price of US$0.06 and expire on May 1, 2018. The principal and accrued interest balance was payable at maturity on January 14, 2016, but was extended to April 14, 2016. On May 5, 2016, the Company paid the note principal and interest of $617 to the holder.

In determining the fair value of the warrants at inception, the Company used the Black- Scholes option pricing model with the following assumptions: average volatility rate of 58.6%; risk-free interest rate of 1.00%; expected life of three years; and an exchange rate of 0.78672. The value of $118 was established on January 14, 2015. The estimated discount rate was 28% which was subject to estimation uncertainty. The discount to the note payable was amortized over the term of the note using the effective interest method.

(b) February 23, 2015 note payable:

On February 23, 2015, the Company entered promissory note agreements with Vertex One Asset Management Inc. (Vertex) totaling $7,300 that mature 12 months from the date of issuance with simple interest payable at maturity at an annual rate of 25.0%. As additional consideration for the note, the Company entered a royalty agreement, pursuant to which the Company agreed to pay a 17.5% royalty on net revenues in perpetuity. Of the $7,300 proceeds, $5,800 was used to retire a $5,000 convertible promissory note (plus accrued interest of $800) which was issued on February 7, 2014, and became due on February 6, 2015. 12,367,054 conversion shares associated with the February 7, 2014 note were cancelled with the retirement of the note. The net proceeds to the Company were $1,500. On March 3, 2016, the Company announced the cancellation of this note and the issuance of a new note dated March 2, 2016 (see Note 7(f)). On December 21, 2016, the Company announced the termination of the royalty agreement and a gain of $641 was recorded.

Because of the 17.5% royalty of net revenue being payable in perpetuity, the Company recognized the $7,300 promissory note as a perpetual debt instrument with a floating rate of interest. In the initial year of the debt, interest recognized is equal to the stated interest rate of 25%, the amortized portion of the scheduled repayment of $7,300 on February 25, 2016 plus related transaction costs using the effective interest method, and 17.5% of net revenue recognized during the period. After the initial year, interest is recognized in an amount equal to 17.5% of net revenue earned during the period. The face amount of the debt of $7,300 is carried as a liability until the royalty is either retired, or it is projected that future royalty streams will be insufficient to support the carrying amount of the liability. On December 14, 2016, the Company announced the termination of the royalty agreement (see Note 7(j)).

(c) April 1, 2015 note payable:

On April 1, 2015, the Company issued a promissory note for $1,500 to Vertex with simple interest payable at maturity at an annual rate of 20%. The note also included 9,178,266 detachable warrants to purchase Class A common shares of the Company at a per share price of US$0.07 and expire on April 1, 2018. Under the terms of the financing, the holder retired an outstanding $500 note. The net proceeds to the Company were $1,000. The principal and accrued interest balance was payable at maturity on April 1, 2016. On April 15, 2016, the Company announced the cancellation of this note and the issuance of a new note dated April 12, 2016 (see Note 7(g)).

In determining the fair value of the warrants at inception, the Company used the Black- Scholes option pricing model with the following assumptions: average volatility rate of 62.0%; risk-free interest rate of .49%; expected life of three years; and an exchange rate of 0.79289. The value of $271 was established on April 1, 2015. The estimated discount rate was 23% which was subject to estimation uncertainty. The discount to the note payable was amortized over the term of the note using the effective interest method.

(d) April 28, 2015 note payable:

On April 28, 2015, the Company issued a promissory note for $2,500 to Vertex with simple interest payable at maturity at an annual rate of 20%. The principal and accrued interest balance was payable at maturity on April 27, 2016. On April 15, 2016, the Company announced the cancellation of this note and the issuance of a new note dated April 12, 2016 (see Note 7(g)).

In addition, the Company entered an amending agreement with Vertex, by which the Company agreed to establish a cash sweep account to restrict a certain portion of the Company's cash collections from net revenues generated after the execution of the agreement, to be used to repay the promissory notes upon maturity. On December 21, 2016, the Company announced the termination of the cash sweep requirement.

(e) July 13, 2015 note payable:

On July 13, 2015, the Company issued a promissory note for $3,000 to Vertex with simple interest payable at maturity at an annual rate of 15%. The principal and accrued interest balance was payable at maturity on January 9, 2016, but was extended to April 9, 2016. On April 15, 2016, the Company announced the cancellation of this note and the issuance of a new note dated April 12, 2016 (see Note 7(g)).

(f) 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(i)).

(g) 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(i)).

(h) 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(k)).

(i) 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(k)).

(j) 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 was initiated subsequent to year-end (see Note 20). All of the proceeds of the Rights Offering will 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 noninterest 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 will be amortized over the term of the note using the effective interest method.

(k) December 14, 2016 note modification:

On December 14, 2016, the Company and Vertex, the holder of all the outstanding notes payable and an existing shareholder, 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.

At December 14, 2016, the accounting for the modification of debt resulted is 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

8. 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, 2016, the balance of the note is $1,203. 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, 2016		December 31, 2015
Promissory note payable	$	1,203	$	1,110
Reimbursable project funding		179		185
		1,382		1,295
Less current portion		(1,214)		(1,121)
Long-term portion of project financing	$	168	$	174

9. Finance lease liabilities:

Finance lease liabilities are payable as follows:

	December 31, 2016						December 31, 2015					
		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)	$	57	$	8	$	49	$	82	$	7	$	75
Between one and five years (long-term portion)		27		3		24		39		5		34
	$	84	$	11	$	73	$	121	$	12	$	109

(1) *Interest rate ranging from 7.48% to 22.96%.*

(2) *Interest rate ranging from 7.48% to 9.65%.*

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 matures in June 2017.

In October 2015, the Company entered a finance lease to purchase a new copy machine for $13 (computer hardware). The lease bears interest at an implicit rate of 7.48% and is secured by the underlying assets. The lease matures in October 2020.

10. Revenue:

Details of revenue are as follows:

For the twelve months ended December 31,		2016		2015
Acquisition services	$	3,546	$	3,822
Value-added data		2,202		3,763
Software and solutions		1,301		1,057
	$	7,049	$	8,642

11. Operating and financing costs:

(a) Operating costs:

For the twelve months ended December 31,		2016		2015
Personnel	$	**9,412**	$	10,998
Purchased services & materials[(1)]		**3,285**		3,565
Travel		**268**		530
Facilities and other expenses		**1,816**		1,767
	$	**14,781**	$	16,860

(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, 2016, the Company announced an organizational restructuring designed to focus the Company's resources towards data acquisition, data integration, data fusion, and value-added analytics, and support the Company's effort to lower on-going operating costs. The workforce reduction accrual of $941 will be paid in installments through October 2017.

(c) Financing costs:

For the twelve months ended December 31,		2016		2015
Interest on notes payable	$	**3,281**	$	2,668
Accretion of discounts recognized on notes payable		**5,821**		2,751
Royalty expense associated with note payable		**857**		1,129
Interest on project financing		**93**		94
Interest on finance lease		**17**		19
	$	**10,069**	$	6,661

12. 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, 2016			December 31, 2015		
Class A common shares	**Number of Shares**		**Amount**	Number of Shares		Amount
Balance, beginning of period:	**100,237,372**	**$**	**196,409**	91,782,665	$	194,377
Issuance of common shares from conversion of convertible note	**-**		**-**	5,741,187		540
Conversion option of convertible note	**-**		**-**	-		16
Issuance of warrants	**-**		**-**	-		385
Warrant exercise	**-**		**-**	2,508,020		1,004
Option exercise	**267,630**		**103**	116,250		57
Share-based compensation	**839,580**		**174**	89,250		30
Balance, end of period:	**101,344,582**	**$**	**196,686**	100,237,372	$	196,409

On July 25, 2016, 153,000 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, 201,692 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, 637,888 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, 114,630 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.

On September 15, 2015, 108,750 Class A common shares were issued upon the exercise of options with a grant date fair value of $21 for cash proceeds of $33.

On August 28, 2015, 7,500 Class A common shares were issued upon the exercise of options with a grant date fair value of $1 for cash proceeds of $2.

On August 20, 2015, 958,020 Class A common shares were issued upon the exercise of warrants for cash proceeds of $59. The value attributed to the warrant liability of $439 was transferred to share capital upon exercise.

On July 2, 2015, 89,250 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $30 for these Class A common shares is included in operating costs.

On June 29, 2015, 1,550,000 Class A common shares were issued upon the exercise of warrants for cash proceeds of $97. The value attributed to the warrant liability of $409 was transferred to share capital upon exercise.

On June 12, 2015, 5,741,187 Class A common shares were issued upon conversion of a convertible promissory note issued on December 12, 2014. The value attributed to the conversion was $556 and includes the accrued interest of $40, which was forgiven upon conversion, and $16 for the proportionate share of the conversion option of the convertible note originally classified in contributed surplus (see Note 12(c)).

On April 1, 2015, the Company issued 9,178,266 warrants to purchase Class A common shares of the Company in connection with a promissory note (see Note 7(c)) with a value of $271 allocated to share capital.

On May 1, 2015, the Company issued 4,530,166 warrants to purchase Class A common shares of the Company in connection with a promissory note with a value of $114 allocated to share capital.

(c) Contributed surplus:

		December 31, 2016		December 31, 2015
Balance, beginning of period	**$**	**11,578**	$	11,395
Gain on modification of notes payable (Note 7)		**15,063**	$	-
Share-based compensation		**359**		294
Exercise of options		**(45)**		(22)
Conversion option of convertible note		**-**		(16)
Deferred tax effect of notes payable		**(2,458)**		(73)
Balance, end of period	**$**	**24,497**	$	11,578

(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 isanti-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 underlying Class A common shares pertaining to 9,249,697 outstanding share options and 24,713,130 outstanding warrants could potentially dilute earnings.

(e) Director's share compensation plan:

The Company has a director's share compensation plan which originally allowed for the issuance of up to 400,000 shares of the Company's Class A common shares to non-employee directors of the Company as part of their annual compensation and was amended in 2011 to 1,400,000 shares. At the Annual General and Special Meeting of the Shareholders on August 9, 2012, 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 1,400,000 to 2,400,000. 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 2,400,000 to 4,400,000. As of December 31, 2016, 1,798,309 Class A common shares remain available under the plan. Compensation expense for issued shares is included in operating costs.

(f) Employee share compensation plan:

The Company established an employee share compensation plan to compensate employees for services performed. The plan was approved by the shareholders of the Company at the Annual General Meeting on May 12, 2009. The plan originally allowed for the issuance of up to 1,500,000 shares of the Company's Class A common shares to employees. At the Annual General and Special Meeting of the Shareholders on August 3, 2011, an amendment to the share compensation plan was approved to increase the maximum number of Class A common shares of the Corporation issuable thereunder from 1,500,000 to 4,000,000. At the Annual General and Special Meeting of the Shareholders on August 14, 2014, 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 4,000,000 to 8,000,000. 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 8,000,000 to 10,000,000. As of December 31, 2016, 8,794,812 Class A common shares remain available for issuance under the plan. Compensation expense for issued shares is included in operating costs.

(g) Share option plan:

The Company established a share option plan to provide long-term incentives to attract, motivate, and retain certain key employees, officers, directors, and consultants providing services to the Company. The plan permits the granting of options to purchase up to 10% of the outstanding Class A common shares of the Company. As of December 31, 2016, 10,134,458 Class A common shares were authorized under the plan, of which 9,249,697 share options are issued and outstanding and 884,761 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 not greater than six years, and generally vest over a period of one to four years. Options granted to directors generally vest on the date of the grant and expire on the fifth anniversary of the date of such grant.

The following table summarizes information regarding share options outstanding:

	December 31, 2016		December 31, 2015	
	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	**6,864,850**	**$ 0.41**	7,427,400	$ 0.46
Granted	**5,784,934**	**0.13**	-	-
Exercised	**(267,630)**	**0.28**	(116,250)	0.40
Expired	**(1,918,082)**	**0.45**	(390,050)	1.40
Forfeitures	**(1,214,375)**	**0.30**	(56,250)	0.26
Options outstanding, end of period	**9,249,697**	**$ 0.25**	6,864,850	$ 0.41
Options exercisable, end of period	**8,099,072**	**$ 0.24**	5,006,100	$ 0.44

Exercise Price (CDN$)	Options outstanding	Weighted average remaining contractual life	Options exercisable
0.08	4,125,320	9.88 years	4,125,320
0.17	25,000	3.62 years	12,500
0.23	123,807	4.62 years	123,807
0.25	20,000	0.68 years	20,000
0.27	618,000	5.16 years	73,000
0.29	1,071,250	3.22 years	646,250
0.33	100,000	2.87 years	100,000
0.38	30,000	2.37 years	30,000
0.43	993,840	0.25 years	993,840
0.44	968,750	2.20 years	800,625
0.46	723,730	0.96 years	723,730
0.48	450,000	0.08 years	450,000
	9,249,697	5.57 years	8,099,072

During the twelve months ended December 31, 2016, 5,784,934 options were granted at a weighted-average grant date fair value of C$0.13 per share, determined using the Black- Scholes option pricing model on the date of grant with the following assumptions: share price ranging from C$0.08 to C$0.27, expected dividend yield 0%, risk-free interest rate ranging from 0.62% to 1.18%, volatilities ranging from 122.0% to 149.7%, and expected lives of five to ten 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 12.97%. During the twelve months ended December 31, 2016, the Company recognized $339 (twelve months ended December 31, 2015 - $211) 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 includes the award of up to 2,398,000 common shares to be issued as equity-settled share-based compensation and up to 3,597,000 common shares to be settled in either cash or common shares, at the discretion of the Board of Directors. At December 31, 2015 1,058,165 shares were earned under the equitysettled portion of the LTIP and 1,587,248 shares were earned under the optional settlement portion of the LTIP.

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 are 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 is 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.

The fair value of the awards is subject to estimation uncertainty and at December 31, 2016 a liability of $100 has been recorded representing the fair value of the optional settlement portion of the LTIP.

Any changes in the liability are recognized in profit or loss over the service period. For the twelve months ended December 31, 2016, a gain of $130 has been charged to non-cash compensation expense.

(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,		**2016**		2015
Employees	**$**	**(76)**	$	538
Non-employees		**365**		100
Non-cash compensation	**$**	**289**	$	638

13. Class A common share purchase warrants:

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	Expired	Exercised	Number of Warrants Outstanding
2/7/2014	2/7/2017	C$ 0.08	3,091,572	-	-	3,091,572
12/12/2014	12/12/2017	C$ 0.10	1,137,202	-	-	1,137,202
12/26/2014	12/26/2017	C$ 0.07	1,666,667	-	-	1,666,667
1/6/2015	2/6/2017	C$ 0.08	4,597,443	-	(958,020)	3,639,423
1/14/2015	1/21/2018	C$ 0.08	1,469,834	-	-	1,469,834
4/1/2015	4/3/2018	US$ 0.07	9,178,266	-	-	9,178,266
5/1/2015	5/1/2018	US$ 0.06	4,530,166	-	-	4,530,166
December 31, 2015			25,671,150	-	(958,020)	24,713,130
			-	-	-	-
December 31, 2016						24,713,130

Each warrant entitles its holder to purchase one Class A common share. Vertex, the holder of all the Company's notes payable holds 18,713,130 of the warrants outstanding at December 31, 2016. The 11,004,698 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 13,708,432 warrants denominated in United States dollars are recognized as part of share capital. At December 31, 2016 and 2015, $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, 2015	11,004,698	$ 2,085
Revaluation	-	(1,948)
Balance at December 31, 2016	11,004,698	$ 137

On January 6, 2015, the Company issued warrants to purchase up to 4,597,443 common shares of the Company to certain holders of previously-issued promissory notes and warrants. The warrant issuance was in consideration for the release by the note holders of a first priority lien in certain of the Company's secured assets and the sharing of security on the remainder of the Company's assets, on a pro-rata basis, with a new lender under a debt financing completed December 26, 2014. The new warrants are exercisable into common shares at C$0.08 per share until February 6, 2017.

On January 15, 2015, the Company amended the exercise price to C$0.08 per share for outstanding warrants to purchase 3,091,572 common shares of the Company with an original exercise price of C$0.56 per share. Other than the exercise price, the original terms of these warrants remain unchanged. The amendment to the warrant exercise price was given as consideration for the release by the warrant holders of a first priority lien on certain of the Company's secured assets and the sharing of security on the remainder of the Company's assets on a pro-rata basis with the new lender under the Company's debt financing completed on December 26, 2014.

On December 31, 2016, the 5,895,441 non-broker warrants issued in 2014 were re-valued to $78 using the Black-Scholes option pricing model with the following assumptions: exercise price of C$0.07-C$0.10; average volatility rate of 73.8%; risk-free interest rate of 0.69%; expected life of 2-12 months; and an exchange rate of 0.74.

In determining the fair value of the 4,597,443 non-broker warrants issued on January 6, 2015, the Company used the Black-Scholes option pricing model with the following assumptions: exercise price of C$0.08; average volatility rate of 108.0%; risk-free interest rate of 1.00%; expected life of two years; and an exchange rate of 0.8472. The value of $133 was established on January 6, 2015. On August 20, 2015, 958,020 of these warrants were exercised, leaving 3,639,423 warrants outstanding at December 31, 2016. The warrants were revalued to $29 on December 31, 2016 utilizing the Black-Scholes option pricing model with the following assumptions: exercise price of C$0.08; average volatility rate of 73.8%; risk-free interest rate of 0.69%; expected life of 2 months; and an exchange rate of 0.74.

In determining the fair value of the 1,469,834 non-broker warrants issued on January 14, 2015, the Company used the Black-Scholes option pricing model with the following assumptions: exercise price of C$0.08; average volatility rate of 58.6%; risk-free interest rate of 1.00%; expected life of three years; and an exchange rate of 0.787. The value of $29 was established on January 14, 2015 and subsequently revalued to $30 on December 31, 2016 utilizing the Black-Scholes option pricing model with the following assumptions: exercise price of C$0.08; average volatility rate of 73.4%; risk-free interest rate of 0.69%; expected life of 13 months; and an exchange rate of 0.74.

The Company also issued 9,178,266 non-broker warrants on April 1, 2015 and 4,530,166 non-broker warrants on May 1, 2015. 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 quarterly.

14. Income Taxes:

(a) Current tax (expense) recovery:

December 31		**2016**		2015
Current period	**$**	**(9)**	$	(25)
Adjustment for prior periods		**(5)**		(2)
	$	**(14)**	$	(27)

(b) Deferred tax recovery:

December 31		**2016**		2015
Origination and reversal of temporary differences	**$**	**2,458**	$	73

During 2016, the Company recognized $2,458 (2015 - $73) in deferred tax expense related to the convertible and other notes payable directly in equity.

(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,		**2016**		2015
Losses, excluding income tax	**$**	**(17,729)**	$	(18,200)
Tax rate		**27.0%**		26.0%
Expected Canadian income tax recovery	**$**	**4,787**	$	4,732
Decrease resulting from:				
Change in unrecognized temporary differences		**(1,223)**		(5,549)
Change in Canadian statutory rate		**-**		1,465
Difference between Canadian statutory rate and those applicable to U.S. and other foreign subsidiaries		**1,126**		1,176
Non-deductible expenses and non-taxable income		**(2,346)**		(1,809)
Other		**100**		31
	$	**2,444**	$	46

(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, 2016 and 2015, are as follows:

	Assets		Liabilities		Net	
December 31,	**2016**	2015	**2016**	2015	**2016**	2015
Property and equipment	**$ -**	$ -	**$ 13**	$ 148	**$ 13**	$ 148
Note payable	**-**	-	**2,458**	43	**2,458**	43
Tax loss carryforwards	**(2,471)**	(191)	**-**	-	**(2,471)**	(191)
Tax (assets) liabilities	**$ (2,471)**	$ (191)	**$ 2,471**	$ 191	**$ -**	$ -
Set off of tax	**2,471**	191	**(2,471)**	(191)	**-**	-
Net tax (assets) liabilities	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -

(e) Unrecognized deferred tax assets:

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

December 31	**2016**	2015
Deductible temporary differences	**$ 18,908**	$ 18,556
Tax loss carryforwards	**217,276**	216,241
	$ 236,184	$ 234,797

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.

Loss carry forwards:

At December 31, 2016, approximately $226,412 of loss carry forwards and $2,409 of tax credits were available in various jurisdictions. At December 31, 2016 $9,163 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	$ 3,135
2020	2,812
2021-2036	220,465
	$ 226,412

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

	Balance at December 31, 2015	Recognized in Profit and Loss	Recognized in Equity	**Balance at December 31, 2016**
Property and equipment	$ 148	$ (135)	$ -	**$ 13**
Note payable	43	(43)	2,458	**2,458**
Tax loss carryforwards	(191)	(2,280)	-	**(2,471)**
Net tax (assets) liabilities	$ -	$ (2,458)	$ 2,458	**$ -**

15. Commitments:

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

2017	$	379
2018		181
2019		107
2020		89
	$	756

During the twelve months ended December 31, 2016, the Company recognized $1,086 (twelve months ended December 31, 2015 - $1,123) in operating lease expense for office space.

16. 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,		**2016**		2015
United States	**$**	**4,960**	$	5,636
Asia/Pacific		**686**		1,787
Europe		**1,403**		1,219
	$	**7,049**	$	8,642

Property and equipment of the Company are located as follows:

December 31,		**2016**		2015
United States	**$**	**1,401**	$	1,791
Canada		**31**		117
Europe		**22**		9
Asia/Pacific		**3**		5
	$	**1,457**	$	1,922

Intangible assets are in the United States.

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

Year ended December 31,		**2016**		2015
Customer A	**$**	**3,546**	$	3,823
Customer B		**-**		1,001
	$	**3,546**	$	4,824

17. 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 50 percent of the Company's revenue is attributable to transactions with one key customer (year ended December 31, 2015 - 44 percent of the revenue was attributable to the same customer), approximately 12 percent of the Company's trade amounts receivable at year end are attributable to customers located in Asia/Pacific (December 31, 2015 – approximately 20 percent), and approximately 32 percent of the Company's trade amounts receivable at year end are attributable to customers located in Europe (December 31, 2015 – approximately 13 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, 2016, and December 31, 2015, consist of:

December 31,		**2016**		2015
Trade amounts receivable	**$**	**559**	$	2,282
Employee receivables		**2**		7
Other miscellaneous receivables		**45**		8
Allowance for doubtful accounts		**(6)**		(14)
	$	**600**	$	2,283

Trade amounts receivable by geography consist of:

December 31,		**2016**		2015
United States	**$**	**308**	$	1,421
Asia/Pacific		**66**		449
Europe		**180**		289
Canada		**5**		123
	$	**559**	$	2,282

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

December 31,		**2016**		2015
Current	**$**	**403**	$	1,795
31-60 days		**60**		156
61-90 days		**3**		4
Over 91 days		**93**		327
	$	**559**	$	2,282

As of December 31, 2016, $96 of trade amounts receivable (year ended December 31, 2015 - $331) were past due. The balance of the past due amounts relates to reoccurring customers and are considered collectible.

ii. Investments in securities

The Company manages its credit risk surrounding cash and cash equivalents by dealing solely with what management believes to be reputable banks and financial institutions, and limiting the allocation of excess funds into financial instruments that management believes to be highly liquid, low risk investments. The balance at December 31, 2016, 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, Philippines peso, 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, 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)

The balances in foreign currencies at December 31, 2015, are as follows:

(in USD)	Australian Dollar	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -
Amounts receivable	-	19	13	206	1	48
Accounts payable and accrued liabilities	(1)	(604)	(157)	(44)	(167)	(114)
	$ (1)	$ (585)	$ (144)	$ 162	$ (166)	$ (66)

Based on the net exposures at December 31, 2016 and 2015, 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, 2016 (in USD)	**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)

December 31, 2015 (in USD)	Australian Dollar	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna
United States dollar:						
Depreciates 10%	$ -	$ 59	$ 14	$ (16)	$ 17	$ 7
Appreciates 10%	-	(59)	(14)	16	(17)	(7)

ii. Interest rate risk

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

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include shortterm highly liquid investments that earn interest at market rates. The Company does not have any debt instruments outstanding with variable interest rates at December 31, 2016, or December 31, 2015.

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.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due (see Note 2(a) – Going Concern). 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, 2016, the Company has a cash and cash equivalent balance of $6,527 (year ended December 31, 2015 – $Nil) and working capital of negative $3,849 (year ended December 31, 2015 – negative $16,581).

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 13).

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as of December 31, 2015:

	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	$ 6,521	$ -	$ 351	$ -	$ -
Warrant liabilities[(1)]	-	-	-	1,804	281
Convertible and other notes payable	-	7,500	7,300	7,300	-
Future interest on convertible and other notes payable	-	380	927	-	-
Project financing	1,121	-	-	174	-
Other long-term liabilities	189	-	-	189	-
Obligations under finance leases	38	38	6	12	27
	$ 7,869	$ 7,918	$ 8,584	$ 9,479	$ 308

(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 13).

(d) Capital risk

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

The Company includes shareholders' deficiency, long-term convertible and other notes payable and long-term portion of obligations under finance leases in the definition of capital. Total capital at December 31, 2016, was negative $2,525 (December 31, 2015 – negative $14,913). 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 longterm plans. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

18. 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, 2016		December 31, 2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Loans and receivables:				
Cash and cash equivalents and restricted cash	**$ 6,527**	**$ 6,527**	$ 801	$ 801
Accounts receivable	**600**	**600**	2,283	2,283
	$ 7,127	**$ 7,127**	$ 3,084	$ 3,084
Financial liabilities				
Derivative financial liabilities at fair value through profit and loss:				
Non-broker warrants	**$ 137**	**$ 137**	$ 2,085	$ 2,085
Other financial liabilities:				
Notes payable	**27,701**	**27,701**	16,387	20,193
Accounts payable and accrued liabilities	**3,555**	**3,555**	6,872	6,872
	$ 31,393	**$ 31,393**	$ 25,344	$ 29,150

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 and cash equivalents, accounts 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 13).

(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, 2016			December 31, 2015		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities						
Non-broker warrants	**$ -**	**$ 137**	**$ -**	$ -	$ 2,085	$ -

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

19. Key management personnel and director compensation:

The Company's compensation program specifically provides for total compensation for executive officers, which is a combination of base salary, performance-based incentives and benefit programs that reflect aggregated competitive pay 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 12).

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 12).

The following summarizes key management personnel and directors' compensation for the years ended December 31, 2016 and 2015:

Year ended December 31,		2016		2015
Compensation and benefits	$	**1,482**	$	1,540
Post-employment benefits		**620**		-
Share-based payments		**321**		178
LTIP		**(130)**		325
	$	**2,293**	$	2,043

The following summarizes key management personnel and directors share ownership of the Company as of December 31, 2016, and 2015:

December 31,	2016	2015
Number of Class A Common shares held	**2,322,066**	3,528,520
Percentage of total Class A Common shares issued	**2.29%**	3.52%

20. Subsequent event:

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$0.06 or US$0.05 per common share. An aggregate of 101,344,582 rights were issued pursuant to the Rights Offering, and the rights expired on March 27, 2017. A total of 60,112,725 shares were issued, with total proceeds of approximately $2,900. All proceeds will be used to reduce the $6,000 bridge loan, and the remaining balance of approximately $3,100 will be converted to a term note due on September 1, 2020, bearing zero interest (see Note 7 (j)). In addition, 3,430,549 warrants will be issued, subject to approval of the Toronto Stock Exchange, pursuant to the adjustment provisions contained in the warrant agreements in connection with the completion of the Rights Offering.

Intermap Technologies
8310 South Valley Highway, Suite 400
Englewood, Colorado 80112-5809
United States

Phone: +1 (303) 708-0955
Fax: +1 (303) 708-0952
E-mail: info@intermap.com
Web: www.intermap.com

Denver · Calgary · Jakarta · Prague