2012

ANNUAL REPORT

Intermap Technologies Corporation

INTERMAP®

President's Message

Financial information as discussed herein is in U.S. dollars unless otherwise noted.

Intermap was able to improve on all aspects of its business during 2012. In each of the last three quarters we delivered meaningful net income that led to positive adjusted EBITDA of greater than $2.5 million in each of those quarters. These results are directly attributable to both our solutions approach to selling and the cost reduction activities of the Company over the past 24 months.

Our 2012 revenue of $28 million was a 15% increase over 2011, and we left the year with a healthy contract backlog of $15 million. This backlog is directly associated with our solutions approach to selling and includes a material contract for the creation of an entire spatial data infrastructure for an international customer, or an SDI. An SDI is a complete operating environment that uses geospatial data, creates the ability to access such data, performs analytics, and then displays the results in an easy to use browser format.

By starting with applications that use an assortment of geospatial data, and then combining that data with market specific information, Intermap is able to deliver unique applications that solve location-based business problems for its customers. For years, the industry has been focused on just the visualization of specific geospatial data layers, but at Intermap, we are able to perform the analytics for our customers and then deliver answers to them conveniently via a web browser application.

These applications are part of our three-dimensional business intelligence (3DBI™) business, which includes software as a service (SaaS) applications that generate a recurring revenue stream for the Company. Our SaaS applications are expected to be a growing contributor to revenue over the coming years. We also believe these SaaS based applications can be an enabler for new businesses to use geospatial information to solve their industry specific geospatial problems.

In August of 2012, we launched a SaaS based application called AdPro®. Our AdPro application provides an easy to use business analytics tool for the outdoor advertising market. The application is now being used by billboard owners, by advertising companies, and is also being integrated into other software platforms that have already been created by the customer. This application uses data from multiple demographic and geospatial sources to provide a useful metric that establishes the value of a particular billboard or an outdoor advertising campaign.

Another product in the Company's new Pro series applications is RiskPro™. The RiskPro application provides effects of climate catastrophes around the world to simulate how a specific weather related disaster can affect business and people. This product is currently in beta development and we are expecting revenue to begin in mid-year 2013.

Our proprietary airborne data acquisition business continues to do well. This business is highly differentiated due to Intermap's unique capability to acquire 3D geospatial information through clouds, in overcast conditions, and at night. This capability gives us a competitive advantage in regions of the world that are heavily cloud covered, which is about 15% of the world. These regions tend to be rich in natural resources and/or have geopolitical importance. Once the data is captured, we then create a contiguous database of the area that allows our 3DBI applications to readily deliver operational analytics that can be used in a variety of applications. Other companies talk about delivering 3D geospatial information; Intermap does it quickly, frequently, and in a scalable manner. We believe that our accurate, edited, and contiguous database is a major differentiator in industries that need geospatial information.

In 2012, we launched the world's first worldwide geospatial database called NEXTMap® World 30™. This product was developed by fusing many types of data into a single database, which supports Intermap's position of being sensor agnostic. We ensured the highest quality for this database by using a combination of computing capabilities, our experienced engineering team, and our world-class production teams in Calgary, Denver and Southeast Asia. This database is currently being used in the Polar Regions, South America, Africa, and even China where much of the legacy geospatial data is old or non-existent. Additionally, this global dataset allows for the rapid development of an initial SDI at a medium resolution.

Then, as the need for high-precision applications develop, Intermap has the ability to provide an even greater resolution data solution through its own airborne radar capability or through the use of a third party sensor, depending on the customer's requirements.

In summary, during 2012, Intermap was able to deliver bottom-line financial results that were better than any other year in the Company's history. We believe this positive performance is due to our solutions approach to selling, which includes 3DBI applications, new data acquisitions, and the licensing of data from our multi-country database.

Unique to Intermap, we now work with a large variety of geospatial sensors. This gives us the capability to deliver the best, and most economical data, information, and applications to our customers in any region of the world.

We believe our SDI approach is also a unique differentiator in the geospatial market. Once an SDI is in place, we work closely with the customer to provide 3DBI software applications that can analyze all of the layers of a database and deliver a simple answer for any given geospatial requirement.

We believe the geospatial industry is changing. Customers do not have the on-site expertise or technology to manipulate geospatial data for their businesses, or even understand what they can do with such geospatial data. There are a number of companies in the geospatial market that are focused primarily on delivering data, and leaving their customers to do their own analysis to create a functional product. We believe this approach renders a race to the cheapest pixel, which is not where Intermap is compelled to compete. Intermap provides feature rich, solutions oriented products and services tailored to our customers individual needs.

Lastly, on behalf of all of Intermap's committed employees, I would like to thank both our shareholders and our other stakeholders for your continued support of Intermap throughout 2012. We look forward to improving on our results during 2013.

(Signed) Todd Oseth

Todd A. Oseth, President and CEO
Intermap Technologies

Management's Discussion and Analysis

For the year ended December 31, 2012

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 8, 2013, and should be read together with the Company's audited Consolidated Financial Statements and the accompanying notes for the years ended December 31, 2012 and 2011. 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 with information about the Company and its subsidiaries, including Management's assessment of Intermap's future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "may," "will," "should," "could," "anticipate," "expect," "project," "estimate," "forecast," "plan," "intend," "target," "believe," and similar words suggesting future outcomes or statements regarding an outlook. Although Intermap believes that these forward-looking statements are based upon assumptions that Intermap believes to be reasonable based on the information available on the date such statements are made, such statements are not guarantees of future performance, and readers are cautioned against placing undue reliance on forward-looking statements. By their nature, these statements involve a variety of assumptions, known and unknown risks and uncertainties, and other factors, which may cause actual results, levels of activity, and achievements to differ materially from those expressed or implied by such statements. The forward-looking information contained in this MD&A is based on certain assumptions and analysis by management of the Company in light of its experience and perception of historical trends, current conditions, and expected future developments and other factors that it believes are appropriate.

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

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

BUSINESS OVERVIEW

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

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

The Company believes the value of its NEXTMap database includes application solutions for specific vertical markets, and not solely in the data as a standalone product. The Company continues to evaluate and change its pricing strategy and product offerings to make the purchase of such services and product offerings more affordable to a wider array of potential users. The Company continues to expand and improve its Web services offerings to allow its NEXTMap 3D terrain products and related location-based information to be more accessible via cloud-computing. These Web services offer a suite of hosted tools that gives even those unfamiliar with GIS the ability to quickly and easily perform terrain analysis based on an area of interest such as a county, an entire state, or a specific river basin. Subscribers to the Company's Web services can access the Company's 3D terrain information using their current Web browsers and through popular desktop GIS software applications.

NEXTMap

The NEXTMap database is included in the Company's data library, which was built from the acquisition, processing and aggregation of elevation data, geometric images and other geospatial information. The NEXTMap database includes terrain, elevation and imagery data, as well as other geospatial related information such as demographics, view sheds, outdoor advertising artifacts, and flood models, to name a few. The Company uses these diversified geospatial elements to enhance the value of the NEXTMap database. The Company maintains ownership rights to the data, and sells licenses to the data on a non-transferable basis. The data library amounts shown on the Company's consolidated balance sheet include only elevation related data and imagery from the NEXTMap USA and NEXTMap Europe radar mapping programs. All other geospatial data and information included in the NEXTMap database is expensed as acquired.

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

As of December 31, 2012, the net book values of the NEXTMap USA and NEXTMap Europe datasets were $7.8 million (year ended December 31, 2011 - $10.4 million) and $6.0 million (year ended December 31, 2011 - $8.0 million), respectively.

FINANCIAL INFORMATION

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

Selected Annual Information

U.S. $ millions, except per share data		**2012**		2011		2010(1)
Revenue:						
Contract services	**$**	**11.9**	$	10.8	$	4.3
Data licenses		**15.9**		13.3		9.6
Total revenue	**$**	**27.8**	$	24.1	$	13.9
Impairment of data library	**$**	**-**	$	-	$	55.4
Net loss	**$**	**(2.9)**	$	(13.6)	$	(97.8)
EPS basic and diluted	**$**	**(0.04)**	$	(0.19)	$	(1.73)
Adjusted EBITDA	**$**	**5.0**	$	(4.5)	$	(19.7)
Assets:						
Data library	**$**	**13.8**	$	18.4	$	23.0
Total assets	**$**	**28.9**	$	31.6	$	43.6
Total long-term liabilities (including finance lease obligations)	**$**	**1.3**	$	2.6	$	1.6

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

Revenue

Consolidated revenue for the year ended December 31, 2012, totaled $27.8 million compared to $24.1 million for the same period in 2011, representing a 15% increase. As of December 31, 2012, there remained $14.8 million in revenue from existing contracts ($14.3 million in contract services and $0.5 million in data licensing contracts) to be recognized in future periods.

Contract services revenue for the years ended December 31, 2012 and 2011, totaled $11.9 million and $10.8 million, respectively. The increase was due to the closing of contracts associated with expanded radar mapping opportunities in Southeast Asia and the United States during 2012.

Data licenses revenue for the year ended December 31, 2012 was $15.9 million, an increase of 20% over the same period in 2011, which totaled $13.3 million. The increase was primarily the result of improved sales from the Company's NEXTMap Asia dataset during the year ended December 31, 2012. This increase was partially offset by a decrease in revenue recognized from the Company's NEXTMap USA and Western Europe datasets during the same period. The Company also recorded an increase in its 3D business intelligence (3DBI) applications revenue during the 2012 period, which made up the remainder of the year-over-year increase.

The Company believes that users of geospatial information in Southeast Asia do not have access to as large a selection of high quality geospatial information that is available in the USA and Western Europe. As a result, the Company believes the immediate opportunity to sell its products and services in Southeast Asia and other underdeveloped regions are greater than in the USA and Western Europe. The Company is, however, currently developing new products and services that are expected to exploit the underlying value of the NEXTMap USA and Europe database and increase future revenue opportunities. Additionally, the Company is developing new low cost, market-specific applications that utilize the entire NEXTMap database to address customers' specific geospatial needs.

Classification of Operating Costs

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

U.S. $ millions		**2012**		2011
Personnel	**$**	**12,936**	$	16,990
Purchased services & materials		**7,358**		10,185
Travel		**1,152**		1,620
Facilities and other expenses		**1,947**		2,581
	$	**23,393**	$	31,376

Personnel

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

Personnel expense for the years ended December 31, 2012 and 2011, totaled $12.9 million and $17.0 million, respectively. The 24% decrease in the year ended December 31, 2012, from the same period in 2011, is primarily due to workforce reductions associated with the Company's restructuring activities during 2011. The amount shown for the year ended December 31, 2011 includes $1.3 million of severance and termination costs.

Consolidated active employee headcount was 185 at December 31, 2012 (including 88 in Jakarta, Indonesia), a 26% decrease from 249 at December 31, 2011 (including 137 in Jakarta, Indonesia). The decrease in personnel count was driven by a decrease in the following functional areas: operations 30%, or 37 personnel; sales and marketing 12%, or 4 personnel; engineering, research and development 15%, or 8 personnel; and administrative 42%, or 15 personnel.

Non-cash compensation expense is included in operating costs and relates to share options and shares granted to employees and non-employees. Non-cash share-based compensation for the years ended December 31, 2012 and 2011, totaled $0.7 million and $1.0 million, respectively. The decrease of $0.3 million in the year ended December 31, 2012, was primarily due to (i) share based compensation issued to the Company's Chief Executive Officer pursuant to his employment agreement in 2011 with no similar compensation issued in 2012, (ii) the expiration, forfeiture and full vesting of prior issued share options that occurred during the current year, and (iii) Board of Directors compensation paid in cash during the current year where such compensation was paid in common shares during the prior year.

Purchased Services and Materials

Purchased services and materials (PS&M) includes (i) aircraft and radar related costs, (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, and (iv) software expenses (including maintenance and support).

For the years ended December 31, 2012 and 2011, PS&M expense was $7.4 million and $10.2 million, respectively. The decrease in this category of expense in 2012 is primarily related to a decrease in job and subcontractor expenses associated with the Company's airborne radar data collection activities that were performed during the respective periods. The stage of progress on each radar data collection contract and the individual requirements and logistics associated with radar collection efforts can also create expense variations between reporting periods.

Travel

For the years ended December 31, 2012 and 2011, travel expense was $1.2 million and $1.6 million, respectively. The decrease during the year ended December 31, 2012 compared to the same period in 2011 is primarily the result of decreased travel associated with the Company's international airborne radar data collection activities, as well as decreased travel for sales and marketing personnel resulting from the Company's cost control measures.

Facilities and Other Expenses

For the years ended December 31, 2012 and 2011, facilities and other expenses were $1.9 million and $2.6 million, respectively. The decrease for the year ended December 31, 2012, compared to the same period in 2011 is primarily due to an early lease termination of the Company's Munich, Germany facility, decreased office space in the Company's Denver office, and other cash conservation efforts to reduce facility and other operational expenses initiated in 2011 and fully realized in 2012.

Adjusted EBITDA

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

U.S. $ millions	**2012**	2011
Net loss	**$ (2.9)**	$ (13.6)
Depreciation of property and equipment	**1.8**	3.4
Amortization of data library	**4.6**	4.6
Amortization of intangible assets	**0.2**	0.5
Restructuring costs (recovery)	**(0.1)**	1.5
Interest expense	**0.5**	0.2
EBITDA	**$ 4.1**	$ (3.4)
Share-based compensation	**0.7**	1.3
Gain on disposal of equipment	**-**	(2.5)
Loss on foreign currency translation	**0.2**	0.1
Adjusted EBITDA	**$ 5.0**	$ (4.5)

Adjusted EBITDA for the year ended December 31, 2012, was $5.0 million, compared to negative $4.5 million for the same period in 2011. The improvement in the adjusted EBITDA loss on a year-over-year basis is primarily attributable to an increase in revenue of $3.7 million, and a reduction of operating expenses (net of restructuring costs) of $6.7 million.

Depreciation of Property and Equipment

Depreciation expense for the year ended December 31, 2012, totaled $1.9 million, compared to $3.4 million for the same period in 2011. The decrease in depreciation expense is primarily the result of certain assets dedicated to the Company's NEXTMap database development reaching the end of their useful lives, without the addition of comparable replacement assets.

Amortization of Data Library

For the years ended December 31, 2012 and 2011, amortization expense relating to the data library was $4.6 million in each year. The asset is amortized on a straight-line basis, and no additions or adjustments were made to the asset during the periods presented.

Gain on Disposal of Equipment

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

Financing Costs

Financing costs for the year ended December 31, 2012, totaled $524 thousand, compared to $160 thousand for the same period in 2011. The increase in financing costs is attributable to interest on a convertible note issued in June 2012. These financing costs were partially offset by the reduction of principal resulting from recurring payments on long-term debt.

Gain (Loss) on Foreign Currency Translation

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

During the year ended December 31, 2012, a foreign currency translation loss of $233 thousand was recorded, compared to a loss of $72 thousand for the same period in 2011. The losses for 2012 and 2011 were primarily the result of losses on the accounts payable balances held in foreign currencies.

Income Tax

Current income tax recovery of $20 thousand was incurred during the year ended December 31, 2012, compared to an expense of $170 thousand during the same period in 2011. The recovery for the year ended December 31, 2012 is due to a recovery of tax deposits made during the 2011 tax year for the Company's German subsidiary. This recovery amount was offset by taxes on income generated from the Company's United Kingdom and Czech Republic subsidiaries. The expense in the year ended 2011 relates to taxable income generated from the Company's Indonesian, German, United Kingdom, Czech Republic and Australian subsidiaries.

During the year ended December 31, 2012, a deferred income tax recovery of $45 thousand, compared to a recovery of $80 thousand for the same period in 2011 was recorded. The increase was due to the deferred tax effect of the convertible note issued in June 2012.

Amounts Receivable and Unbilled Revenue

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

Amounts receivable and unbilled revenue increased from $6.4 million at December 31, 2011, to $8.4 million at December 31, 2012. The increase was primarily due to timing of collections, as well as the unbilled portion of work performed in late 2012 on an outstanding mapping services contract. These amounts represent 42 days' sales at December 31, 2012, compared to 66 days sales at December 31, 2011, and reflect specific project billing milestones on current contracts that were in progress on those dates.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities generally include trade payables, project-related accruals and personnel-related costs. Accounts payable and accrued liabilities decreased from $5.1 million at December 31, 2011, to $4.7 million at December 31, 2012. This decrease is due primarily to the timing of payments against the Company's trade payables, but also includes a decrease in compensation related accrued liabilities during the period ended December 31, 2012.

		2012		2011
Accounts payable	$	2,152	$	2,384
Accrued liablities		2,572		2,665
Other taxes payable		23		48
	$	4,747	$	5,097

Provisions

Provisions decreased to $0.7 million at December 31, 2012, compared to $1.1 million at December 31, 2011. The decrease is the result of activity during 2012 related to separation payments made to former employees of $0.2 million, facility payments of $0.1 million, and a reversal of facility expense of $0.1 million due to an early lease termination of the Company's Munich, Germany facility.

Notes Payable

The notes payable balance increased to $1.8 million at December 31, 2012, compared to $1.7 million at December 31, 2011. The increase relates to reimbursable project development funds received by the Company. Such funds are repayable upon the completion of development efforts on specifically identified technology and the first sale of the resulting developed products. The Company estimates the repayment will begin in the second quarter of 2013. See "Note 9" to the Consolidated Financial Statements for a discussion of the terms of the notes.

The promissory note balance of $1.7 million is payable to a service provider for an outstanding balance. Payment of the principal balance began at the end of the fourth quarter of 2012 and the promissory note matures in November 2014.

Convertible Note

The convertible note balance of $2.4 million at December 31, 2012, is due to a private placement convertible debt financing that closed June 27, 2012. The principal balance of the note is $2.5 million, and the discount of $0.2 million will be recognized over the twelve month term of the note using the effective interest method. Simple interest is payable at maturity at an annual rate of 21%. Under the terms of the note, the accrued interest payable on any converted principal balance will be waived at the time of conversion. The note is convertible into common shares of the Company, at any time, at the option of the holder, at a per share price of C $0.21. Any unconverted balance is payable at maturity, on June 26, 2013. See "Note 10" to the Consolidated Financial Statements for a detailed discussion of the terms of the note.

Unearned Revenue

The unearned revenue balance at December 31, 2012, decreased to $0.1 million from $1.5 million at December 31, 2011. This balance consists of payments received from customers on revenue contracts for which the Company has not yet fulfilled its obligations, or which the necessary revenue recognition criteria has not been met. The decrease from December 31, 2011, is primarily due to the fulfillment of production related obligations on a contract services project during the year ended December 31, 2012.

Finance Lease Obligations and Long-Term Debt

Finance lease obligations and long-term debt at December 31, 2012, decreased to $0.3 million from $1.2 million at December 31, 2011 due to recurring payments on outstanding finance lease obligations and full payment of a long-term bank loan obligation.

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 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	**Q4 2012**
Revenue:								
Contract services	$ 2.9	$ 2.4	$ 3.2	$ 2.3	$ 3.3	$ 1.6	$ 4.1	**$ 2.9**
Data licenses	3.9	2.0	4.9	2.5	0.9	6.4	3.9	**4.7**
Total revenue	$ 6.8	$ 4.4	$ 8.1	$ 4.8	$ 4.2	$ 8.0	$ 8.0	**$ 7.6**
Depreciation and amortization	$ 2.1	$ 2.1	$ 2.0	$ 1.8	$ 1.8	$ 1.6	$ 1.6	**$ 1.6**
Net income (loss)	$ (4.9)	$ (3.4)	$ (0.8)	$ (4.5)	$ (5.1)	$ 0.8	$ 0.4	**$ 1.0**
Net income (loss) per share - basic and diluted	$ (0.08)	$ (0.05)	$ (0.01)	$ (0.06)	$ (0.06)	$ 0.01	$ 0.01	**$ 0.01**
Adjusted EBITDA	$ (1.1)	$ (2.9)	$ 1.5	$ (2.0)	$ (2.9)	$ 2.7	$ 2.5	**$ 2.7**

Revenue

Consolidated revenue for the fourth quarter of 2012 totaled $7.6 million, compared to $4.8 million for the same period in 2011, representing a 58% increase. Contract services revenue for the fourth quarter of 2012 increased to $2.9 million, a 26% increase over the $2.3 million recorded during the same period in 2011. The increase in 2012 was primarily the result of the recognition of $1.1 million in revenue from a new mapping services contract that commenced in late 2012. Data licenses revenue for the fourth quarter of 2012 totaled

$4.7 million, compared to $2.5 million for the same period in 2011, representing an 88% increase. The increase was primarily the result of revenue recognized during the fourth quarter of 2012 on a $2.3 million contract that was announced in November 2012 for the sale of data from the Company's Southeast Asia NEXTMap database.

Personnel

Personnel expense for the fourth quarter of 2012 was $2.9 million, compared to $3.7 million for the same period in 2011. The 22% decrease in the quarter ended December 31, 2012, from the same period in 2011, is due to normal employee attrition, primarily in the Company's Jakarta, Indonesia office, and secondarily from reduced sales commissions.

Non-cash share-based compensation expense for the three-month periods ended December 31, 2012 and 2011, totaled $0.1 million in each period.

Purchased Services and Materials

For the three-month periods ended December 31, 2012 and 2011, PS&M expense was $1.3 million and $2.5 million, respectively. The decrease is primarily due to decreased job and subcontractor expenses associated with the stage of progress on outstanding mapping services contracts in place during each respective period.

Travel

For the three-month periods ended December 31, 2012 and 2011, travel expense was $0.3 million and $0.4 million, respectively. The decrease during the three-month period ended December 31, 2012 compared to the same period in 2011 is primarily the result of decreased travel by operations personnel associated with the stage of progress on outstanding mapping services contracts in place during each respective period.

Facilities and Other Expenses

For the three-month periods ended December 31, 2012 and 2011, facilities and other expenses were $0.5 million.

CONTRACTUAL OBLIGATIONS

Contractual obligations include (i) convertible note; (ii) operating leases on office locations; (iii) notes payable; (iv) provisions; and (v) 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
Convertible note	$ 2,757	$ 2,757	$ -	$ -	$ -
Operating leases	2,648	959	1,319	370	-
Notes payable	1,899	956	943	-	-
Provisions	720	720	-	-	
Finance leases	276	276	-	-	-
Total	$ 8,300	$ 5,668	$ 2,262	$ 370	$ -

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, (ii) investing activities, including the purchase of property and equipment, and (iii) financing activities, including debt financing and the issuance of capital stock.

Cash generated from operations during the year ended December 31, 2012, totaled $0.3 million, compared to cash used in operations of $9.1 million during the same period in 2011. The improvement of $9.4 million is due primarily to increased revenues of $3.7 million and decreased operating costs of $8.0 million. The decreased operating costs were primarily related to decreases in personnel related expenses and other general operating expenses resulting from the Company's restructuring activities during 2011.

Net cash used in investing activities totaled $0.4 million for the year ended December 31, 2012, compared to $0.3 million during the same period in 2011. Cash used in investing activities during the years ended December 31, 2012 and 2011, was for the development of intangible assets (the Company's NEXTMap WebStore™) of $113 thousand and $242 thousand, respectively. Additionally, cash used in investing activities during the years ended December 31, 2012 and 2011, included the purchase of aircraft related property and equipment of $288 thousand and computer related property and equipment of $102 thousand, respectively.

Net cash generated by financing activities totaled $1.5 million during the year ended December 31, 2012, compared to net cash generated by financing activities totaling $5.6 million during the same period in 2011. The net cash generated from financing activities during the year ended December 31, 2012, was due primarily to the receipt of $2.4 million of net proceeds in connection with a convertible note issued in June 2012. This amount was offset by payments on long-term debt and capital lease obligations of $1.0 million during the year. The net cash generated from financing activities during the year ended December 31, 2011, was due to the completion of a share issuance of 16,125,000 units (each unit consist of one Class A common share of the Company and one common share purchase warrant) for total gross consideration of $6.8 million. This amount was offset by $0.4 million of securities issuance costs and the repayment of long-term debt and capital lease obligations totaling $0.8 million.

The cash position of the Company at December 31, 2012 (cash and cash equivalents), was $2.1 million, compared to $0.6 million at December 31, 2011. Working capital improved to $1.9 million as of December 31, 2012, from a negative $1.0 million as of December 31, 2011. The improvement in working capital at December 31, 2012 compared to December 31, 2011, is primarily the result of an increase in cash, amounts receivable and unbilled revenue of $3.5 million and a decrease in accounts payable, accrued liabilities, provisions and debt totaling $1.1 million, which was offset by increases in notes payable, convertible note and unearned revenue totaling $1.8 million.

During the year ended December 31, 2012, the Company incurred a net loss of $2.9 million, had positive adjusted EBITDA of $5.0 million, and positive cash flow from operations of $0.3 million. In addition, the Company has an accumulated deficit of $186.2 million. Although the Company has made significant financial progress during its most recent fiscal year, its continuing operations are dependent on its ability to continue to produce future profitable operations and generate positive cash flows from operations. The Company is also considering the selling of excess capacity assets to improve its cash position. If these activities are not adequate to fund the Company's ongoing operations, the Company may be required to explore additional financing alternatives, if available. Failure to achieve one or more of these requirements could have a material adverse effect on the Company's financial condition and / or results of operations in future periods.

The above factors raise significant doubt about the Company's ability to continue as a going concern. Management has taken actions to address these issues including a company-wide cost reduction program, the introduction of new products and services, a revised approach to pricing and selling of the Company's products and services, and has obtained additional financing. These actions have begun to make a positive impact on the performance of the Company, as is evidenced by a significant year-over-year improvement in its bottom line financial performance, including positive adjusted EBITDA of $5.0 million. However, the Company cannot be certain that its future cash generated from operations will be sufficient to satisfy its liquidity requirements on a go forward basis.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

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

Goods Sold

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

Subscriptions

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

Fixed-price Contracts

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

Multiple Component Arrangements

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

Data Library (NEXTMap)

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

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

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

FUTURE CHANGES IN ACCOUNTING POLICIES

Consolidated Financial Statements

The International Accounting Standards Board (IASB) has issued a new standard for consolidation that will replace the existing standard. This new standard provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. This new standard is effective for our fiscal year beginning January 1, 2013. The Company does not expect this new standard to have a material impact on the financial statements.

Disclosure of Interests in Other Entities

The IASB has issued a new standard for the disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard requires disclosure of the nature of, and risks associated with an entity's interests in other entities and the effects of these interests on its financial position, financial performance and cash flows. This new standard is effective for the Company's fiscal year beginning January 1, 2013. The Company is currently assessing the impact of this new standard on the financial statements.

Investments in Associates and Joint Ventures

The IASB issued a new standard on accounting for investments in joint ventures to require they be accounted for using the equity method. The new standard is effective for our fiscal year beginning January 1, 2013. The Company does not expect this new standard to have a material impact on the financial statements.

Presentation of Financial Statements

The IASB has revised the standard for presentation requiring the entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. This new standard is effective for the Company's fiscal year beginning January 1, 2013. The Company does not expect this new standard to have a material impact on the financial statements.

Fair Value Measurement

The IASB has issued a new standard for fair value measurement that provides a common definition of fair value and establishes a framework for measuring fair value. This new standard is effective for the Company's fiscal year beginning January 1, 2013. The Company does not expect this new standard to have a material impact on the financial statements.

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 8, 2013, 79,414,013 Class A common shares were issued and outstanding. There are no preferred shares currently issued and outstanding.

As of March 8, 2013, 4,814,970 share options are outstanding in the Company's share option plan with a weighted average exercise price of C$0.82. In addition, there are 19,050,00 warrants outstanding that are exercisable with a weighted average exercise price of C$0.46, and each warrant entitles the holder to purchase one Class A common share.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

Disclosure Control Risks

Disclosure controls and procedures have been designed to provide reasonable assurance that information required to be disclosed is accumulated and communicated to Management as appropriate to allow timely decisions regarding required disclosure. Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the effectiveness of the disclosure controls and procedures as at December 31, 2012, that disclosure controls and procedures provide reasonable assurance that material information is made known to them by others within the Company.

Internal Control Risks

Internal controls over financial reporting have been designed to provide reasonable assurance regarding the reliability of financial reporting. Management, including the Chief Executive Officer and Chief Financial Officer, reviewed and evaluated the design and operating effectiveness of the internal controls over financial reporting (as defined by Multilateral Instrument 52-109) and concluded that sufficient controls exist at December 31, 2012, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no significant changes in the design of internal controls over financial reporting that occurred during the year ended December 31, 2012, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

RISKS AND UNCERTAINTIES

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

Availability of Capital

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

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

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

Revenue Fluctuations

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

Nature of Government Contracts

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

General Economic Trends

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

Key Customers

During 2012, the Company had three key customers that accounted for 66% of total revenue. In 2011, the Company had four key customers that accounted for approximately 43% of total revenue. To the extent that significant customers cancel or delay orders, Intermap's revenue, earnings, and cash flow could be materially and adversely affected.

Executive Talent

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

New Competing Technologies

It is possible that commercially available satellite images could, in the future, match or come close to the image resolution offered by the Company's radar technology. However, the Company believes that the technology to perform 3D radar imaging from space at 1-meter resolution with postings every 5 meters is considered to be two or more years away, and may never be achievable. In any event, 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 announcement of material contract(s), (iii) the low daily trading volume of the Company's stock, (iv) announcement of technological innovations or new products by the Company or its competitors, (v) competition, including pricing pressures and the potential impact of competitors products on sales, (vi) changing conditions in the digital mapping and related industries, (vii) unexpected production difficulties, (viii) changes in financial estimates or recommendations by stock market analysts regarding Intermap or its competitors, (ix) announcements by Intermap or its competitors of acquisitions, strategic partnerships, or joint ventures, (x) additions or departures of senior management, and (xi) changes in economic or political conditions.

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

Loss of Proprietary Information

Intermap does not 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.

Information Technology Security

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

Breakdown of Strategic Alliances

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

Exporting Products – Political Considerations

Intermap's data collection systems contain technology that is classified as a defense article under the International Traffic and Arms Regulations. All mapping efforts undertaken outside the United States, therefore, constitute a temporary export of a defense article, requiring prior written approval by the United States Department of State for each country within which mapping operations are to be performed. The Company does not currently anticipate that requirements for export permits will have a material impact on the Company's operations, although either government policy or government relations with select foreign countries may change to the point of affecting the Company's operational opportunities. The data produced by Intermap's 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-country-imposed withholding taxes or other foreign taxes. Intermap relies on contract prepayments or letters of credit to secure payment from certain of its customers when deemed necessary. The Company has in the past secured export credit insurance on certain of its international receivables, which greatly reduces the commercial and political risks of operating outside of North America.

Political Instability

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

Regulatory Approvals

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

Aircraft / Radar Lost or Damaged

Although the Company believes that the probability of one of the Company's aircraft or radar sustaining significant damage or being lost in its entirety is extremely low, such damage or loss could occur. 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.

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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 judgements, 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.

(Signed) Todd Oseth

Todd Oseth
President and Chief Executive Officer

(Signed) Richard L. Mohr

Richard L. Mohr
Senior Vice President and Chief Financial Officer

Independent Auditors' Report to the Shareholders

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, 2012 and December 31, 2011, the consolidated statements of comprehensive income, changes in equity 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, 2012 and December 31, 2011, 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 describes that for the year ended December 31, 2012 the Company incurred a net loss of $2,926,000, had cash flow from operations of $266,000 and as at December 31, 2012 had an accumulated deficit of $186,198,000. These conditions along with other matters described in Note 2(a), indicate the existence of a material uncertainty which may cast a significant doubt on the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
March 8, 2013
Ottawa, Canada

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(In thousands of United States dollars)

	December 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ **2,055**	$ 597
Amounts receivable	**5,735**	5,512
Unbilled revenue	**2,709**	865
Work in process	**10**	26
Prepaid expenses	**625**	616
	11,134	7,616
Property and equipment (Note 5)	**3,703**	5,273
Data library (Note 6)	**13,829**	18,439
Intangible assets (Note 7)	**235**	290
Deferred tax assets (Note 15)	**-**	5
	$ **28,901**	$ 31,623
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 8)	$ **4,747**	$ 5,097
Convertible note (Note 10)	**2,357**	-
Current portion of provisions (Note 17)	**720**	888
Current portion of notes payable (Note 9)	**892**	69
Current portion of deferred lease inducements	**97**	97
Unearned revenue	**145**	1,544
Income taxes payable	**10**	43
Current portion of obligations under finance leases (Note 11)	**262**	323
Current portion of long-term debt (Note 12)	**-**	548
	9,230	8,609
Long-term notes payable (Note 9)	**923**	1,629
Deferred lease inducements	**390**	363
Long-term provisions (Note 17)	**-**	223
Obligations under finance leases (Note 11)	**-**	262
Long-term debt (Note 12)	**-**	95
Deferred tax liabilities (Note 15)	**-**	13
	10,543	11,194
Shareholders' equity:		
Share capital (Note 14(a))	**194,144**	193,992
Accumulated other comprehensive income	**58**	46
Contributed surplus (Note 14(c))	**10,354**	9,663
Deficit	**(186,198)**	(183,272)
	18,358	20,429
Going concern (Note 2(a))		
Commitments (Note 16)		
	$ **28,901**	$ 31,623

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(Signed) Larry G. Garberding

Larry G. Garberding
Director

(Signed) Donald R. Gardner

Donald R. Gardner
Director

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

For the year ended December 31,		2012		2011
Revenue:				
Contract services	$	**11,902**	$	10,813
Data licenses		**15,851**		13,254
		27,753		24,067
Expenses:				
Operating costs (Note 13)		**23,393**		31,376
Depreciation of property and equipment		**1,851**		3,377
Amortization of data library		**4,610**		4,610
Amortization of intangible assets		**168**		495
		30,022		39,858
Operating loss		**(2,269)**		(15,791)
Gain on disposal of equipment		**34**		2,514
Financing costs		**(524)**		(160)
Financing income		**1**		3
Loss on foreign currency translation		**(233)**		(72)
Loss before income taxes		**(2,991)**		(13,506)
Income tax (expense) recovery (Note 15):				
Current		**20**		(170)
Deferred		**45**		80
		65		(90)
Net loss for the period	$	**(2,926)**	$	(13,596)
Other comprehensive loss:				
Foreign currency translation differences		**12**		(82)
Total comprehensive loss for the period	$	**(2,914)**	$	(13,678)
Basic and diluted loss per share	$	**(0.04)**	$	(0.19)
Weighted average number of Class A common shares - basic and diluted (Note 14(d))		**78,700,809**		72,563,227

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands of United States dollars)

	Share Capital	Contributed Surplus	Cumulative Translation Adjustments	Deficit	Total
Balance at January 1, 2011	$ 187,253	$ 8,700	$ 128	$ (169,676)	$ 26,405
Comprehensive loss for the period	-	-	(82)	(13,596)	(13,678)
Share-based compensation	597	698	-	-	1,295
Issuance of shares	6,791	-	-	-	6,791
Issuance costs	(384)	-	-	-	(384)
Compensation options issued to agent	(265)	265	-	-	-
Balance at December 31, 2011	193,992	9,663	46	(183,272)	20,429
Comprehensive loss for the period	-	-	12	(2,926)	(2,914)
Share-based compensation	138	592	-	-	730
Warrant component of convertible note	19	-	-	-	19
Conversion option of convertible note	-	136	-	-	136
Issuance costs	(1)	(4)	-	-	(5)
Deferred tax effect of convertible note	(4)	(33)	-	-	(37)
Balance at December 31, 2012	$ 194,144	$ 10,354	$ 58	$ (186,198)	$ 18,358

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of United States dollars)

	For the years ended December 31, 2012	2011
Cash flows provided by (used in):		
Operating activities:		
Net loss for the period	**$ (2,926)**	$ (13,596)
Adjusted for the following non-cash items:		
Depreciation of property and equipment	**1,851**	3,377
Amortization of data library	**4,610**	4,610
Amortization of intangible assets	**168**	495
Share-based compensation expense	**673**	1,011
Gain on disposal of equipment	**(34)**	(2,514)
Amortization of deferred lease inducements	**74**	55
Deferred taxes	**(46)**	(80)
Net financing costs	**523**	160
Current income tax expense	**(19)**	170
Interest paid	**(131)**	(99)
Income tax paid	**(107)**	(105)
Change in non-cash operating working capital	**(4,370)**	(2,545)
	266	(9,061)
Investing activities:		
Purchase of property and equipment	**(288)**	(102)
Investment in intangible assets	**(113)**	(242)
Proceeds from sale of equipment	**41**	1
	(360)	(343)
Financing activities:		
Proceeds from issuance of convertible note	**2,500**	-
Proceeds from issuance of common shares	**-**	6,791
Financing costs of convertible note	**(70)**	-
Issuance costs of convertible note	**(5)**	-
Securities issuance costs	**-**	(384)
Proceeds from reimbursable project funding	**151**	-
Repayment of obligations under finance lease	**(323)**	(239)
Repayment of long-term debt	**(643)**	(531)
Repayment of notes payable	**(69)**	-
	1,541	5,637
Effect of foreign exchange on cash	**11**	8
Increase/(decrease) in cash and cash equivalents	**1,458**	(3,759)
Cash and cash equivalents, beginning of period	**597**	4,356
Cash and cash equivalents, end of period	**$ 2,055**	$ 597

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Reporting entity:

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

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

2. Basis of preparation:

a. Going concern:

These financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. During the year ended December 31, 2012, the Company incurred a net loss of $2,926 and positive cash flow from operations of $266. In addition, the Company has an accumulated deficit of $186,198.

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

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

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

b. Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. 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 8, 2013, the date the Board of Directors approved the consolidated financial statements.

c. Measurement basis:

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

d. Use of estimates:

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

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 3(k)
- Impairment.

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 and intangible assets.

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, 2012, amounts receivable represented 20% 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. 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. (see Note 3(h)).

v. **Revenue :**

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

e. **Functional and presentation currency:**

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

f. **Foreign currency translation:**

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

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

3. Summary of significant accounting policies:

a. **Consolidation:**

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Intermap Technologies Inc. and Intermap Federal Services Inc. (both U.S. corporations); Intermap Technologies GmbH (a German corporation); Intermap Technologies UK Limited (a U.K. corporation); Intermap Technologies PTY Ltd (an Australian corporation); Intermap Technologies s.r.o. (a Czech Republic corporation); and a 90% owned subsidiary, PT ExsaMap Asia (an Indonesian corporation).

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

b. **Cash and cash equivalents:**

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

c. **Work in process:**

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

d. **Property and equipment:**

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

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

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

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

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

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

e. Data library:

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

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

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

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

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

f. Intangible assets:

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

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

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

g. Leases:

Leases are classified as either finance or operating in nature.

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

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

h. 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.

i. 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.

j. 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.

k. Impairment:

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

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

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

l. 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. Subscriptions:

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

iii. Fixed-price Contracts:

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

iv. Multiple Component Arrangements:

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

m. 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.

n. Share-based compensation:

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

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

o. 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.

p. 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.

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

ii. Loans and receivables:

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

iii. Non-derivative financial liabilities:

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

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

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

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

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

Financial instrument:	Classification:
Cash and cash equivalents	Loans and receivables
Amounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Obligations under finance leases	Other liabilities
Convertible note	Other liabilities
Notes payable	Other liabilities
Long-term debt	Other liabilities

iv. 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.

v. Compound financial instruments:

Compound financial instruments issued by the Company comprise convertible notes denominated in United States 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 conversion option. 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 remeasured 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.

q. Segments:

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

4. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

a. Consolidated Financial Statements:

The International Accounting Standards Board (IASB) has issued a new standard for consolidation that will replace the existing standard. This new standard provides a single consolidation model that identifies control as the basis for consolidation for all types of entities. This new standard is effective for the Company's fiscal year beginning January 1, 2013. The Company does not expect this new standard to have a material impact on the financial statements.

b. Disclosure of Interests in Other Entities:

The IASB has issued a new standard for the disclosure requirements for all forms of interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard requires disclosure of the nature of, and risks associated with an entity's interests in other entities and the effects of these interests on its financial position, financial performance and cash flows. This new standard is effective for the Company's fiscal year beginning January 1, 2013. The Company is currently assessing the impact of this new standard on the financial statements.

c. Investments in Associates and Joint Ventures:

The IASB issued a new standard on accounting for investments in joint ventures to require they be accounted for using the equity method. The new standard is effective for our fiscal year beginning January 1, 2013. The Company does not expect this new standard to have a material impact on the financial statements.

d. Presentation of Financial Statements:

The IASB has revised the standard for presentation requiring the entity present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. This new standard is effective for the Company's fiscal year beginning January 1, 2013. The Company does not expect this new standard to have a material impact on the financial statements.

e. Fair Value Measurement:

The IASB has issued a new standard for fair value measurement that provides a common definition of fair value and establishes a framework for measuring fair value. This new standard is effective for the Company's fiscal year beginning January 1, 2013. The Company does not expect this new standard to have a material impact on the financial statements.

5. Property and equipment:

Property and equipment	Aircraft	Mapping equipment	Furniture, fixtures & auto	Leases	Under construction	Total
Balance at January 1, 2011	$ 3,629	$ 3,771	$ 77	$ 400	$ 31	$ 7,908
Additions	-	102	-	42	-	144
Finance lease	-	614	-		-	614
Disposals	-	(16)	-	-	-	(16)
Depreciation	(661)	(2,518)	(46)	(152)	-	(3,377)
Transfer from under construction	-	31	-	-	(31)	-
Balance at December 31, 2011	2,968	1,984	31	290	-	5,273
Additions	217	51	-	-	20	288
Disposals	-	-	(7)	-	-	(7)
Depreciation	(568)	(1,162)	(18)	(103)	-	(1,851)
Balance at December 31, 2012	$ 2,617	$ 873	$ 6	$ 187	$ 20	$ 3,703

The gross amount of property and equipment at December 31, 2012, was $40,669 (year ended December 31, 2011 – $41,088). The accumulated depreciation at December 31, 2012, was $36,966 (year ended December 31, 2011 – $35,815).

6. Data library:

Data library	
Balance at January 1, 2011	$ 23,049
Amortization	(4,610)
Balance at December 31, 2011	18,439
Amortization	(4,610)
Balance at December 31, 2012	$ 13,829

The gross amount of data library at December 31, 2012 and 2011 was $120,330. In December 2010, an asset impairment charge of $55,362 was recorded. The accumulated amortization at December 31, 2012, was $51,139 (year ended December 31, 2011 - $46,529).

7. Intangible assets:

Intangible Assets	Acquired	Internally developed	Total
Balance at January 1, 2011	$ 551	-	$ 551
Additions	-	242	242
Amortization	(480)	(15)	(495)
Effect of movements in exchange rates	(8)	-	(8)
Balance at December 31, 2011	$ 63	$ 227	$ 290
Additions	-	113	113
Amortization	(63)	(105)	(168)
Balance at December 31, 2012	$ -	$ 235	$ 235

The gross amount of intangible assets at December 31, 2012, was $2,419 (year ended December 31, 2011 – $2,306). The accumulated amortization at December 31, 2012, was $2,184 (year ended December 31, 2011 – $2,016).

8. Accounts payable and accrued liabilities:

	December 31, 2012	December 31, 2011
Accounts payable	$ 2,152	$ 2,384
Accrued liablities	2,572	2,665
Other taxes payable	23	48
	$ 4,747	$ 5,097

9. Notes payable:

Notes payable includes a promissory note with a service provider that defines the payment terms of an outstanding balance. The note bears interest at 5% per annum and is secured by a second priority lien in an aircraft owned by the Company. The repayment terms of the note payable are thirty-six months ending November 2014. The balance of the promissory note at December 31, 2012, was $1,664 (year ended December 31, 2011 – $1,698), of which $96 is accrued interest (year ended December 31, 2011 – $68).

Additionally, at December 31, 2012, the notes payable 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 development and the first sale of any developed product(s). Repayment is to be made in quarterly installments equal to 25% of the prior quarter sales. The Company estimates the repayment will begin in the second quarter of 2013.

	December 31, 2012	December 31, 2011
Promissory note payable	**$ 1,664**	$ 1,698
Reimbursable project funding	**151**	-
	1,815	1,698
Less current portion	**(892)**	(69)
	$ 923	$ 1,629

10. Convertible note:

On June 27, 2012, the Company issued a convertible promissory note for $2,500. Simple interest is payable at maturity at an annual rate of 21%. The note is convertible into common shares of the Company, at any time at the option of the holder, at a per share price of $0.21 CDN. Under the terms of the note, the accrued interest payable on any converted principal balances will be waived at the time of conversion. The note also includes 1,700,000 warrants to purchase Class A common shares at a per share price of $0.31 CDN that expire on June 26, 2015 The note is secured by a general security interest in all the assets of the Company. Any unconverted principal and accrued interest balance is payable at maturity, on June 26, 2013.

Proceeds from convertible note	$	**2,500**
Transaction costs		**(75)**
Net proceeds		**2,425**
Amounts classified as equity:		
Conversion option		**(132)**
Warrants		**(18)**
Effective interest incurred on note discount		**82**
Carrying amount of convertible note at December 31, 2012	$	**2,357**

The convertible note represents a hybrid instrument that needs to be bifurcated between its liability and equity components. The liability component was determined by reference to the fair value of a similar stand alone debt instrument, excluding the equity components, with the residual amount allocated to the equity components.

The fair value of a similar stand alone note excluding the equity components was determined using an estimated discount rate of 29%. The estimated discount rate was derived based on the evaluation of other longer term debt offerings and is subject to estimation uncertainty. The amount of the convertible note classified as equity of $150 is net of attributable transaction costs of $5 and was allocated between the warrants (share capital) and conversion option (contributed surplus) based on the relative fair value of the two components, as determined by the number of shares that could potentially be issued. Transaction costs of $70 were allocated to the liability component which will be accreted to redemption value over the term of the note using the effective interest method.

The Company has the option, after nine months from the closing date of the note and upon sixty days notice, to repay the note at 121% of the outstanding principal balance. The fair value of the prepayment option at December 31, 2012, was $Nil. At December 31, 2012, $268 of accrued interest is included in accrued liabilities.

11. Finance lease liabilities:

Finance lease liabilities are payable as follows:

	December 31, 2012			December 31, 2011		
	Future minimum lease payments	**Interest (1)**	**Present value of minimum lease payments**	Future minimum lease payments	Interest (1)	Present value of minimum lease payments
Less than one year (current portion)	**$ 276**	**$ 14**	**$ 262**	$ 381	$ 58	$ 323
Between one and five years (long-term portion)	**-**	**-**	**-**	276	14	262
	$ 276	**$ 14**	**$ 262**	$ 657	$ 72	$ 585

(1) Interest rates ranging from 12.93% to 16.97%.

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

12. Long-term debt:

		December 31, 2012		December 31, 2011
Bank term loan	$	-	$	643
		-		643
Less current portion		-		(548)
	$	-	$	95

In December 2007, the Company obtained a term loan from a Canadian bank in the amount of $2,522 ($2,500 CDN). The loan is repayable in monthly installments of $42 ($40 CDN) over a term of 60 months maturing on February 28, 2013. The loan bears interest at 6.25% and is secured by a general security agreement. An aircraft owned by the Company is listed as the primary collateral under the general security agreement. The loan was repaid in its entirety in July 2012.

13. Operating costs:

For the twelve months ended December 31,		2012		2011
Personnel (1)	$	12,936	$	16,990
Purchased services & materials (2)		7,358		10,185
Travel		1,152		1,620
Facilities and other expenses (3)		1,947		2,581
	$	23,393	$	31,376

(1) Includes $Nil and $1,266 of separation costs during the twelve months ended December 31, 2012 and 2011, respectively

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

(3) Includes an expense reversal of $90 and $349 associated with facility closure costs during the twelve months ended December 31, 2012 and 2011, respectively.

14. 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, 2012			December 31, 2011		
Class A common shares	**Number of Shares**		**Amount**	Number of Shares		Amount
Balance, beginning of period:						
Unrestricted shares	**78,405,534**		**193,992**	60,796,507	$	187,253
Restricted shares held in escrow	**582,700**		**-**	-		-
Share-based compensation	**482,381**		**138**	1,484,027		597
Restricted shares issued into (released from) escrow	**(56,602)**		**-**	582,700		-
Issuance of shares	**-**		**-**	16,125,000		6,791
Compensation warrants issued to agent	**-**		**-**	-		(265)
Warrant component of convertible note	**-**		**19**	-		-
Convertible note Issuance costs	**-**		**(1)**	-		-
Deferred tax effect of convertible note	**-**		**(4)**	-		-
Securities Issuance costs	**-**		**-**	-		(384)
Balance, end of period:						
Unrestricted shares	**78,887,915**	**$**	**194,144**	78,405,534	$	193,992
Restricted shares held in escrow	**526,098**	**$**	**-**	582,700	$	-

On June 26, 2012, the Company received proceeds from a convertible promissory note. The value attributable to the warrants and included in share capital at inception of the note was $14, net of issuance costs of $1 and future tax benefit of $4 (see Note 10).

On June 25, 2012, 349,680 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $81 for these Class A common shares is included in operating costs (see Note 14(e)).

On March 28, 2012, 61,005 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $27 for these Class A common shares was included in operating costs in the prior year (see Note 14(e)).

On January 17, 2012, 71,696 Class A common shares, of which 56,602 were released from escrow, were issued to employees of the Company as compensation for services. Compensation expense of $30 for these Class A common shares was included in operating costs in the prior year (see Note 14(f)).

On December 12, 2011, 28,351 Class A common shares were issued to an employee of the Company as compensation for services. Compensation expense of $6 for these Class A common shares is included in operating costs (see Note 14(f)).

On August 23, 2011, 498,429 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $171 for these Class A common shares is included in operating costs (see Note 14(e)).

On June 2, 2011, the Company issued 450,000 Class A common shares pursuant to a three-year employment agreement with the Company's Chief Executive Officer (CEO). The shares are held by a third party escrow agent pursuant to an Escrow Agreement (see Note 14(j)) and can be released from escrow upon the achievement of certain market performance conditions.

On June 2, 2011, the Company issued 384,615 Class A common shares to be issued in exchange for compensation for employment services provided during the first year of the three year employment agreement with the Company's Chief Executive Officer. The shares are held by a third party escrow agent pursuant to an Escrow Agreement (see Note 14(j)), and are released in quarterly installments equivalent to $37.5, less applicable withholding taxes. As of December 31, 2012, 308,517 shares have been released for services rendered.

On June 2, 2011, 20,656 Class A common shares were issued to a director of the Company as compensation for services. Compensation expense of $8 for these Class A common shares is included in operating costs (see Note 14(e)).

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

On March 15, 2011, 79,689 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $33 for these Class A common shares is included in operating costs (see Note 14(e)).

On March 15, 2011, 548,376 Class A common shares were issued to employees of the Company as compensation for services. Compensation expense of $263 for these Class A common shares is included in operating costs (see Note 14(f)).

On February 28, 2011, 56,611 Class A common shares were issued to an employee of the Company as compensation for services. Compensation expense of $30 for these Class A common shares is included in operating costs (see Note 14(f)).

c. Contributed surplus:

	December 31, 2012	December 31, 2011
Balance, beginning of period	**$ 9,663**	$ 8,700
Share-based compensation	**592**	698
Conversion option of convertible note	**136**	-
Issuance costs of convertible note	**(4)**	-
Deferred tax effect of convertible note	**(33)**	-
Compensation warrants issued to agent/underwriter	**-**	265
Balance, end of period	**$ 10,354**	$ 9,663

d. Loss per share:

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

The underlying Class A common shares pertaining to (i) 4,846,320 outstanding share options, (ii) 19,050,000 outstanding warrants, and (iii) 11,842,729 resulting from the full conversion of an outstanding convertible note payable (see Note 9) 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 there under from 1,400,000 to 2,400,000. As of December 31, 2012, 1,106,413 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 there under from 1,500,000 to 4,000,000. As of December 31, 2012, 2,794,812 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, 2012, 7,941,401 Class A common shares were authorized under the plan, of which 4,846,320 share options are issued and outstanding and 3,095,081 options remain available for future issuance. Under the plan, no one individual shall be granted an option which exceeds 5% of the issued and outstanding Class A common shares of the Company. In addition, the exercise price of each option shall not be less than the market price of the Company's Class A common shares on the date of grant. The options are exercisable for a period of not greater than six years, and generally vest over a period of one to four years. Options granted to directors generally vest on the date of the grant and expire on the fifth anniversary of the date of such grant.

The following table summarizes information regarding share options outstanding at December 31, 2012 and December 31, 2011:

	December 31, 2012		December 31, 2011	
	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	**5,489,220**	**$ 1.49**	3,844,800	$ 3.98
Granted	**345,000**	**0.43**	3,624,050	0.45
Expired	**(845,550)**	**5.08**	(1,468,875)	5.46
Forfeitures	**(142,350)**	**0.50**	(510,755)	1.66
Options outstanding, end of period	**4,846,320**	**$ 0.82**	5,489,220	$ 1.49
Options exercisable, end of period	**2,917,362**	**$ 1.01**	2,114,910	$ 2.97

Exercise Price (CDN$)	Options outstanding	Weighted average remaining contractual life	Options exercisable
0.25	20,000	4.69 years	5,000
0.27	20,000	5.36 years	-
0.33	200,000	3.63 years	200,000
0.43	1,378,840	4.25 years	1,009,880
0.44	325,000	4.19 years	325,000
0.46	960,230	4.96 years	240,057
0.48	450,000	4.01 years	112,500
0.50	450,000	3.94 years	225,000
0.66	300,000	3.81 years	131,250
1.49	119,000	1.95 years	119,000
1.60	76,000	3.05 years	43,000
1.84	314,750	3.00 years	274,175
2.98	12,000	1.70 years	12,000
4.16	80,000	1.39 years	80,000
5.75	140,500	0.20 years	140,500
	4,846,320	3.96 years	2,917,362

During the twelve months ended December 31, 2012, 345,000 (year ended December 31, 2011 – 3,624,050) options were granted at a weighted-average fair value of $0.43 CDN per share (year ended December 31, 2011 – $0.43 CDN per share), determined using the Black-Scholes option pricing model on the date of grant with the following assumptions: expected dividend yield 0% (year ended December 31, 2011 – 0%), risk-free interest rate ranging from 1.32% to 1.91% (year ended December 31, 2011 – 1.92% to 3.04%), volatilities ranging from 80.43% to 85.9% (year ended December 31, 2011 – 68.1% to 79.9%), and expected lives of five to six years. The estimated forfeiture rate was 5.43% (year ended December 31, 2011 – 5.43%).

h. Share-based compensation expense:

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

Employees	**$**	**497**	$	770
Non-employees		**176**		241
Non-cash compensation	**$**	**673**	$	1,011

i. Class A common share purchase warrants:

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

	December 31, 2012	December 31, 2011
Balance, beginning of year	**17,375,000**	575,000
Issued	**1,700,000**	17,350,000
Expired	**(25,000)**	(550,000)
Balance, end of year	**19,050,000**	17,375,000

Each warrant entitles its holder to one Class A common share upon payment of an exercise price ranging from $0.31 CDN to $0.48 CDN, with a weighted average exercise price of $0.46 CDN. Of the warrants outstanding at the beginning of the year, 17,350,000 expire on April 28, 2014. The 1,700,000 warrants issued in connection with the convertible note (see Note 10) expire on June 26, 2015.

j. Restricted shares:

In connection with the three year employment agreement dated December 3, 2010 entered into with the Company's CEO, the Company issued 450,000 Class A common shares to him during the quarter ended June 30, 2011, and such shares are held by a third party agent pursuant to an Escrow

Agreement. The Escrow Agreement provides that up to 450,000 shares are to be released only upon the achievement of certain market performance conditions based on the performance of the Company's share price. The grant date fair value of the restricted shares was $118 and will be charged to non-cash compensation expense over the vesting period, which was determined to be 28 months. The Board of Directors believes that this arrangement is effective in aligning the interests of the CEO with the long-term interests of the shareholders of the Company.

15. Income taxes:

a. Current tax expense (recovery):

December 31		2012		2011
Current period	$	(78)	$	(147)
Adjustment for prior periods		98		(23)
	$	20	$	(170)

b. Deferred tax expense:

December 31		2012		2011
Origination and reversal of temporary differences	$	45	$	80

The Company has recognized $37 (year ended December 31, 2011 - $nil) in deferred tax expense related to the convertible note 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,		2012		2011
Losses, excluding income tax	$	(2,991)	$	(13,506)
Tax rate		25.0%		26.5%
Expected Canadian income tax recovery	$	748	$	3,579
Decrease resulting from:				
Change in unrecognized temporary differences		(619)		(5,176)
Change in Canadian statutory rate		-		(44)
Difference between Canadian statutory rate and those applicable to U.S. and other foreign subsidiaries		257		1,870
Security issuance costs recorded in equity		-		172
Non-deductible expenses and non-taxable income		(128)		(139)
Foreign exchange		-		(12)
Adjustment for prior years income tax matters		(145)		(340)
Other		(48)		-
	$	65	$	(90)

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, 2012 and 2011, are as follows:

	Assets		Liabilities		Net	
December 31,	**2012**	2011	**2012**	2011	**2012**	2011
Property and equipment	**$ -**	$ -	**$ 356**	$ 692	**$ 356**	$ 692
Intangible assets	**-**	(5)	**-**	13	**-**	8
Convertible note	**-**	-	**19**	-	**19**	-
Tax loss carryforwards	**(375)**	(692)		-	**(375)**	(692)
Tax (assets) liabilities	**$ (375)**	$ (697)	**$ 375**	$ 705	**$ -**	$ 8
Set off of tax	**375**	692	**(375)**	(692)	**-**	-
Net tax (assets) liabilities	**$ -**	$ (5)	**$ -**	$ 13	**$ -**	$ 8

e. Unrecognized deferred tax assets:

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

December 31	**2012**	2011
Deductible temporary differences	**$ 64,032**	$ 70,037
Tax loss carryforwards	**135,033**	127,214
	$ 199,065	$ 197,251

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.

i. Loss carry forwards:

At December 31, 2012 approximately $136,056 of loss carry forwards and $1,967 of tax credits were available in various jurisdictions. A summary of losses by year of expiry are as follows:

Twelve months ended December 31,	
2014	1,614
2015	2,816
2018	3,135
2020-2032	128,491
	$ 136,056

f. Movement in deferred tax balances during the year:

	Balance at December 31, 2011	Recognized in Profit and Loss	Recognized in Equity	Balance at December 31, 2012
Property and equipment	$ 692	$ (336)	$ -	**$ 356**
Intangible assets	13	(13)	-	**-**
Convertible note	-	(18)	37	**19**
Tax loss carryforwards	(697)	322	-	**(375)**
Net tax (assets) liabilities	$ 8	$ (45)	$ 37	**$ -**

16. 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:

2013	$ 959
2014	772
2015	547
2016	370
	$ 2,648

During the year ended December 31, 2012, the Company recognized $976 (year ended December 31, 2011 - $1,767) in operating lease expense for office space.

17. Restructuring:

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

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

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

	Workforce Reduction	Excess Facility	Total
Amounts recorded for the twelve months ended December 31, 2011	$ 1,266	$ 349	$ 1,615
Amounts recorded for the twelve months ended December 31, 2012	-	(90)	(90)
Total	$ 1,266	$ 259	$ 1,525

At December 31, 2012, the provision associated with the restructuring and other related charges consisted of the following:

	Workforce Reduction	Excess Facility	Total
Balance at January 1, 2011	$ 828	$ 812	$ 1,640
2011 provisions	1,266	349	1,615
Payments	(1,915)	(229)	(2,144)
Balance at December 31, 2011	179	932	1,111
2012 adjustments	-	(90)	(90)
Payments	(179)	(122)	(301)
Balance at December 31, 2012	-	720	720
Current portion of provisions	-	720	720
Long-term provisions	-	-	-
	$ -	$ 720	$ 720

The excess facility accrual of $720 is scheduled to be relieved by November 2013, the Ottawa, Canada lease termination date.

18. Segmented information:

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

Geographic segments of revenue are as follows:

Year ended December 31,	Contract Services 2012	Data Licenses 2012	Contract Services 2011	Data Licenses 2011
United States	**$ 6,564**	**$ 1,909**	$ 780	$ 7,548
Asia/Pacific	**5,338**	**11,489**	8,611	2,193
Europe	**-**	**2,453**	1,422	3,513
	$ 11,902	**$ 15,851**	$ 10,813	$ 13,254

Property and equipment of the Company are located as follows:

December 31,	2012	2011
Canada	**$ 168**	$ 258
United States	**3,447**	4,774
Asia/Pacific	**83**	218
Europe	**5**	23
	$ 3,703	$ 5,273

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

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

Year ended December 31,		2012		2011
Customer A	**$**	**8,056**	$	-
Customer B		**5,993**		247
Customer C		**4,165**		8,817
	$	**18,214**	$	9,064

19. 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 66 percent of the Company's revenue is attributable to transactions with three key customers (year ended December 31, 2011 - 38 percent of the revenue was attributable to these three key customers); however, geographically there is no concentration of credit risk.

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

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

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

i. Trade receivables

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

Amounts receivable as of December 31, 2012, and December 31, 2011, consist of:

	December 31, 2012	December 31, 2011
Trade amounts receivable	**$ 5,487**	$ 5,222
Employee receivables	**16**	16
Other miscellaneous receivables	**232**	274
	$ 5,735	$ 5,512

Trade amounts receivable by geography consist of:

	December 31, 2012	December 31, 2011
United States	**$ 1,795**	$ 1,704
Canada	**15**	22
Asia/Pacific	**3,286**	2,005
Europe	**391**	1,491
	$ 5,487	$ 5,222

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

	December 31, 2012	December 31, 2011
Current	**$ 4,253**	$ 3,612
31-60 days	**870**	1,034
61-90 days	**130**	112
Over 91 days	**234**	464
	$ 5,487	$ 5,222

As of December 31, 2012, $364 of trade amounts receivable (year ended December 31, 2011 - $576) were past due. The balance of the past due amounts relate to reoccurring, and historically slow paying customers and are considered collectible.

ii. Investments in securities

The Company manages its credit risk surrounding cash and cash equivalents by dealing solely with what management believes to be reputable banks and financial institutions, and limiting the allocation of excess funds into financial instruments that management believes to be highly liquid, low risk investments. The balance at December 31, 2012, is held in cash at banks within the United States, Canada, Europe, Asia, and Australia to facilitate the payment of operations in those jurisdictions.

b. Market risk

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

i. Foreign exchange risk

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

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

The balances in foreign currencies at December 31, 2012, are as follows:

(in USD)		Canadian Dollar		Euro		British Pound		Indonesian Rupiah		Czech Republic Koruna		Australian Dollar
Cash and cash equivalents	$	101	$	39	$	22	$	13	$	307	$	-
Amounts receivable		149		167		106		7		197		-
Accounts payable and accrued liabilities		(1,368)		(432)		(636)		(191)		(221)		(3)
Bank, term loans, and finance leases		-		-		-		-		-		-
	$	(1,118)	$	(226)	$	(508)	$	(171)	$	283	$	(3)

The balances in foreign currencies at December 31, 2011, are as follows:

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

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

Based on the net exposures at December 31, 2012 and 2011, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the United States dollar against the following currencies would result in an increase / (decrease) in net earnings by the amounts shown below:

(in USD)		Canadian Dollar		Euro		British Pound		Indonesian Rupiah		Czech Republic Koruna		Australian Dollar
United States dollar:												
Depreciates 10%	$	112	$	23	$	51	$	17	$	(28)	$	-
Appreciates 10%		(112)		(23)		(51)		(17)		28		-

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

ii. Interest rate risk

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

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash and cash equivalents include short-term highly liquid investments that earn interest at market rates. The Company does not have any debt instruments outstanding with variable interest rates at December 31, 2012, or December 31, 2011.

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

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

c. Liquidity risk

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

The Company manages its liquidity risk by evaluating working capital availability and forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2012, the Company has a cash and cash equivalent balance of $2,055 (year ended December 31, 2011 – $597) and working capital of $1,904 (year ended December 31, 2011 – negative $993). All of the Company's financial liabilities, other than notes payable, provisions, long-term debt and obligations under finance leases, have a contractual maturity of less than 45 days.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as of December 31, 2012:

	Payment due:				
	In less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Accounts payable and accrued liabilities	$ 3,066	$ 667	$ 1,014	$ -	$ -
Convertible Note	-	2,757	-	-	-
Note payable	228	234	494	912	31
Provisions	-	-	720	-	-
Obligations under finance leases	95	93	88	-	-
Long-term debt	-	-	-	-	-
	$ 3,389	$ 3,751	$ 2,316	$ 912	$ 31

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

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

d. Capital risk

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

The Company includes shareholders' equity, long-term debt, long-term notes payable and long-term portion of obligations under finance leases in the definition of capital. Total capital at December 31, 2012, was $19,281 (December 31, 2011 - $22,415). To maintain or adjust the capital structure, the Company may issue new shares, issue new debt with different characteristics, acquire or dispose of assets, or adjust the amount of cash and short-term investment balances held.

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

e. Fair values

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

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

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

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

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

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

There are no financial instruments measured at fair value. During the year, there have been no transfers of amounts between any categories. There are no items classified in Level 2 or Level 3 as of December 31, 2012.

20. Key management personnel and director compensation:

The Company's compensation program specifically provides for total compensation for executive officers, which is a combination of base salary, performance-based incentives and benefit programs that reflect aggregated competitive pay in light of business achievement, fulfillment of individual objectives and overall job performance. Executive officers participate in the Company's share compensation and share option plans (Note 14).

As of December 31, 2012, the Chief Executive Officer and Chief Financial Officer are each entitled an amount equal to one year's annual base salary in the event the Company were to terminate their employment agreement, other than due to a material breach of the employment agreement or in the event the Company becomes insolvent.

The compensation of non-employee directors consists of a cash component and a share component. Directors participate in the Company's share option plan and director's share compensation plan (Note 14).

The following summarizes key management personnel and directors compensation for the years ended December 31, 2012 and 2011:

Year ended December 31,		2012		2011
Short-term employee benefits	**$**	**1,527**	$	1,620
Share-based payments		**381**		620
	$	**1,908**	$	2,240

The following summarizes key management personnel and directors share ownership of the Company as of December 31, 2012 and 2011:

December 31,	2012	2011
Number of Class A Common shares held	**1,750,642**	1,206,168
Percentage of total Class A Common shares issued	**2.20%**	1.53%

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STOCK EXCHANGE

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

OFFICERS & KEY PERSONNEL

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President and CEO

Richard L. Mohr
Senior Vice President and CFO

BOARD OF DIRECTORS

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Retired – Executive Vice President and CFO
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