2010

ANNUAL REPORT

Intermap Technologies Corporation

INTERMAP TECHNOLOGIES

President's Message

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

To our shareholders,

I am pleased to formally address the shareholders of Intermap Technologies® since joining the Company as President and Chief Executive Officer on December 6, 2010 and I thank you for your support during these uncertain times. As we work through the challenges ahead of us, I am convinced that Intermap has substantial value and its market opportunity is even greater than I had initially imagined.

Despite larger operating losses than anticipated in 2010, it's encouraging to note that net cash used in operations during the year was significantly lower than the operating net loss for the year. In response to lower revenues during the year, we significantly cut operating expenses – by more than $17 million annually – and restructured the size of the organization to coincide with 2011 revenue expectations. In terms of the 2011 revenue outlook, contracts in process at year end are valued at approximately $17.0 million, the majority of which is deliverable during 2011 and recognized as revenue.

Three important changes were required to move the company forward, and we have already started to implement them. These three changes are to:

- Provide affordable access to more customers through a low-cost delivery approach using cloud-based web services
- Aggregate the best data available into NEXTMap, allowing for maintenance and recurring revenues
- Expand the use of channels to get better coverage around the world

In our revised go-to-market strategy, we will aggregate 3D terrain information from third parties into our database and then disseminate it to our customers through a low-cost web-based delivery mechanism. This approach will allow us to rapidly and more economically distribute multiple data layers in specific areas of interest, with high-quality and reduced file sizes. We will also aggressively pursue our mapping services business, which has been the historical foundation of the Company and will further expand the terrain information available to our customers.

By implementing this approach, Intermap will be among the first to commercialize broad access to 3D terrain information by partnering with data providers throughout the world to offer LiDAR, photogrammetry, satellite, and other geospatial information to the Company's customers and partners. Intermap has decades of experience integrating data derived from a number of different sensor technologies, and we plan to be the go-to company for all types of 3D terrain information.

In conjunction with this strategic shift, we have changed our pricing philosophy to a per-user, per-month plan through a software-as-a-service (SaaS) model. This is a subscription-based, recurring revenue customer model that is currently in use for both our existing telecommunications and insurance risk management customer base. Our goal is to continuously update our 3D terrain database with new types of data to drive revenue and maintenance fees. This enables us to build a recurring revenue stream, something that Intermap has not effectively done before in its history.

Change is required to make this strategy work and increase shareholder value, including a new culture, a new customer- and partner-centric sales and marketing approach, and stakeholders that share this vision. We now have a strong organization in place with the right leadership focused on executing our new strategy. On behalf of all of Intermap's committed employees, I thank our shareholders for their support during this transformation.

Todd Oseth
President and CEO, Intermap Technologies

Management's Discussion and Analysis

For the year ended December 31, 2010

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 7, 2011, and should be read together with the Company's audited Consolidated Financial Statements for the years ended December 31, 2010 and 2009, together with the accompanying notes. The results reported herein have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) 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 website at www.intermap.com and on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

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

The material factors and assumptions used to develop the forward-looking statements herein include, but are not limited to, the following: (i) Intermap will continue to maintain sufficient and effective production capabilities with respect to the cost to produce the Company's 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 Intermap products; (vii) new products and services will continue to be added to the Intermap portfolio; (viii) demand for 3D mapping products will continue to grow in the foreseeable future; (ix) there will be no significant barriers to the integration of Intermap's products into customers' existing and proposed products; and (x) superior 3D mapping 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, revenue fluctuations, loss of key customers, nature of government contracts, breakdown of strategic alliances, economic conditions, common share price volatility, availability of capital, information technology security, loss of proprietary information, competing technologies, and international and political considerations, including but not limited to those risks and uncertainties discussed under the heading "Risk Factors" in the MD&A, the Company's most recently filed AIF, and the Company's other filings with securities regulators. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent, and Intermap'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, Intermap 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 Intermap or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

BUSINESS OVERVIEW

Intermap is a digital mapping company creating uniform, high-resolution 3D digital models of the earth's surface. The Company has proactively remapped entire countries and built uniform national databases called NEXTMap®, consisting of elevation data and orthorectified radar images with high accuracy. Digital maps are used in a wide range of applications, including, but not limited to geographic information systems (GIS), engineering, GPS maps, insurance risk assessment, oil and gas, renewable energy, hydrology, environmental planning, wireless communications, transportation, 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 interferometric synthetic aperture radar (IFSAR) mapping technology, which 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.

NEXTMap®

The NEXTMap program is included in the Company's multi-client data library (MCDL), which was built from the acquisition and processing of elevation data and orthorectified radar images. The NEXTMap datasets include terrain elevation and imagery data. The Company maintains all ownership rights to the data, and sells licenses to the data on a non-transferable basis. The program includes NEXTMap® USA and NEXTMap® Europe.

NEXTMap USA, the largest NEXTMap program to date, was completed during the second quarter of 2010. The program covers an area of nearly 8.0 million square kilometers of the contiguous United States and Hawaii.

The NEXTMap Europe dataset was completed in 2009 and 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, 2010, the Company had invested $81.1 million and $39.3 million into the NEXTMap USA and NEXTMap Europe datasets, respectively.

In December 2010, a strategic review of the Company's approach to selling the NEXTMap datasets in the United States and Europe was undertaken by the new executive management of the Company. Upon completion of this review, it was determined that the historical pricing strategy of the NEXTMap datasets required downward adjustment and the Company could no longer afford to invest the resources necessary to exploit certain previously identified target markets. These changes, coupled with the Company's history of losses, led the Company to perform an asset impairment review to determine if the carrying value of the NEXTMap USA and NEXTMap Europe asset groups were recoverable. The Company determined that the future expected cash flows of the datasets were insufficient to recover the carrying value of the assets, resulting in a pre-tax asset impairment charge of $52.8 million. Of this amount, $36.9 million applied to the NEXTMap USA asset and $15.9 million applied to the NEXTMap Europe asset. Subsequent to the impairment charges, the net book value of the NEXTMap USA and NEXTMap Europe datasets at December 31, 2010 were $12.9 million and $10.1 million, respectively. The net book value of the NEXTMap USA and NEXTMap Europe datasets at December 31, 2009 was $56.3 million and $29.0 million, respectively.

Contract Services

The Company's contract services business typically involves a client requesting digital map data for a specific location outside of the NEXTMap area of collection. In previous years, this contract services business has typically been one of the larger sources of revenue for the Company and results primarily from government funding in the areas of national mapping and national defense. However, in 2010, revenue from the contract services business accounted for only 30% of total revenue for the year. The Company believes that revenue from contract services work will grow to higher levels in the immediate future than what was recognized during 2010. The Company has historically experienced uncertainty surrounding the timing, priorities, and amounts of funding from government entities regarding the contract services business. This uncertainty has and is expected to continue to create volatile revenue period to period.

The contracted amounts and timing of contract awards are the primary reasons for the variation in the contract services' financial performance during 2010 when compared with 2009. As of December 31, 2010, there remained approximately $12.9 million in existing signed contract services work to be performed for which revenue will be recognized throughout 2011. In addition to these existing contracts, the Company expects to receive new contracts during the year from government entities around the world. However, the magnitude and timing of such contracts and the resulting revenue to be recognized is difficult to accurately predict.

The growth of revenue in both the contract services business and the licensing of the NEXTMap database remains the primary goal of the Company. With the completion of the NEXTMap datasets, the Company believes that significant revenue opportunities can develop that would not otherwise be available without the complete national coverage afforded by the NEXTMap programs.

See "Liquidity and Capital Resources" regarding the financial condition and cash flows of the Company.

FINANCIAL INFORMATION

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

Selected Annual Information

US $ millions, except per share data		2010		2009		2008
Revenue:						
Contract services	$	4.3	$	20.1	$	26.2
Multi-client data licenses		9.7		10.2		10.8
Total revenue	$	14.0	$	30.3	$	37.0
Impairment on Multi-Client Data Library	$	(52.8)	$	-	$	-
Net loss	$	(96.8)	$	(25.8)	$	(13.9)
EPS basic and diluted	$	(1.71)	$	(0.51)	$	(0.30)
Adjusted EBITDA	$	(19.5)	$	(6.2)	$	1.3
Assets:						
Multi-client data library	$	23.1	$	85.3	$	81.2
Total assets	$	43.7	$	126.2	$	144.0
Total long-term liabilities (including capital lease obligations)	$	1.5	$	1.6	$	3.1

Revenue

Consolidated revenue for the year ended December 31, 2010 totaled $14.0 million, compared to $30.3 million for the same period in 2009, representing a 54% decrease. As of December 31, 2010, there remained $17.0 million in revenue from existing contracts to be recognized in future periods ($12.9 million in contract services and $4.1 million in MCDL license contracts).

Contract services revenue for the year ended December 31, 2010 decreased to $4.3 million from $20.1 million for the same period in 2009. The decrease was primarily the result of a reduction in revenue from mapping projects in Southeast Asia where the Company had $17.3 million in revenue during 2009, compared to $1.0 million in 2010. The remaining contract services revenue for 2010 related primarily to a mapping project in the United States totaling $2.1 million.

MCDL license revenue for the year ended December 31, 2010 totaled $9.7 million, compared to $10.2 million for the same period in 2009. The decrease was primarily the result of lower revenue associated with the sale of data in Asia and from the NEXTMap USA dataset, offset by higher sales from the NEXTMap Europe dataset in 2010. During 2010, approximately 54% of MCDL license revenue was associated with the NEXTMap Europe dataset, 19% was associated with the NEXTMap USA dataset, and 27% was associated with the Company's Asia dataset. For the same period in 2009, approximately 36% of the MCDL license revenue was associated with the NEXTMap Europe dataset, 31% was associated with the NEXTMap USA dataset, and 33% was associated with the Company's Asia dataset.

World economic difficulties continued to affect the Company's revenues during 2010. We believe existing and potential customers have maintained a cautious approach to their businesses, conserving cash by deferring previously planned projects and re-evaluating their short-term operating budgets. Although the Company is continuing to see proposal activity, we believe the current challenging economic environment will continue to impact the Company's ability to enter into new contract services arrangements and to monetize the NEXTMap datasets in the foreseeable future.

Operations

Operations expense includes aircraft costs, employee compensation, data processing costs, and third-party expenses related to the collection, processing, and editing of Intermap's mapping data.

Gross operations expense (prior to capitalization) for the years ended December 2010 and 2009 was $15.0 million and $20.9 million, respectively. The decrease in gross operations expense was primarily the result of the reduction in production operations (see "Personnel and Restructuring Costs") that reflects the completion of the NEXTMap Europe and NEXTMap USA programs. Net operations expense for the year ended December 31, 2010 totaled $10.5 million, compared to $10.0 million for the same period in 2009. Capitalized costs decreased from $10.9 million in 2009 to $4.5 million in 2010 due to the completion of the NEXTMap Europe and NEXTMap USA programs.

Research and Development

Research and development (R&D) expense includes engineering personnel and their associated costs. For the years ended December 31, 2010 and 2009, R&D expense was $2.5 million and $3.6 million, respectively. The decrease in R&D expense for 2010 resulted from fewer costs incurred on the Company's NEXTMap services solutions, including consumer electronics and data products. The R&D costs incurred in 2010 are primarily for both web services development and software development efforts associated with the continued development of internal data editing and processing tools. The R&D costs incurred during 2009 were primarily attributable to software development efforts associated with the continued development of internal data editing and processing tools and the expansion of the Company's NEXTMap services solutions (including risk management, data products, and consumer electronics applications).

Sales, General and Administrative

Sales, general and administrative (SG&A) expense includes employee compensation, database infrastructure costs, business development, sales, marketing, finance, administration, human resources, and facilities. For the year ended December 31, 2010, SG&A expense was $22.2 million, compared to $25.8 million for the same period in 2009. The decrease in SG&A expense for 2010 resulted primarily from a reduction in personnel-related costs (see "Personnel and Restructuring Costs") and a reduction in external consulting and professional services expenses.

Personnel and Restructuring Costs

Consolidated active employee headcount was 509 (including 330 in Jakarta, Indonesia) at December 31, 2010, a decrease from 714 (including 437 in Jakarta, Indonesia) at December 31, 2009. The decrease was primarily driven by a decrease in operations personnel by approximately 28%, or 139 full-time personnel. The decrease in operations personnel resulted from the Company's completion of the NEXTMap Europe and NEXTMap USA programs. R&D and SG&A personnel decreased by 30%, or 66 employees, during the year. Salaries and related personnel expenses for the year ended December 31, 2010 and 2009 were $20.2 million and $24.4 million, respectively. Salaries and related personnel expenses decreased primarily due to workforce and salary reductions initiated in the fourth quarter of 2009 and throughout 2010. In September 2010, the Company initiated further workforce reductions, which resulted in approximately $1.4 million in related severance and termination costs. On an annualized basis, the net impact on total expenses (after severance-related costs) of the workforce reductions made in 2010 will be a reduction of approximately $4.6 million of personnel-related expenses.

In January 2011, the Company made further workforce reductions and expects to incur $845 in related expenses during the first quarter of 2011. On an annualized basis, the net impact on total expenses (after severance-related costs) of the workforce reductions made in January 2011 will be a reduction of approximately $5.5 million of additional personnel-related expenses.

Non-cash compensation expense is included in operating costs and relates to stock options and stock shares granted to employees and non-employees. Non-cash stock-based compensation for the year ended December 31, 2010 and 2009 totaled $1.7 million and $2.2 million, respectively.

Adjusted EBITDA

Adjusted EBITDA is not a recognized performance measure under GAAP and does not have a standardized meaning prescribed by GAAP. The term EBITDA consists of net income (loss) and excludes interest, taxes, depreciation, and amortization. Adjusted EBITDA also excludes restructuring costs, stock-based compensation, gain or loss on the disposal of property and equipment, gain or loss on foreign currency translation, and impairment of assets. 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 that are nonrecurring. The most directly comparable measure to Adjusted EBITDA calculated in accordance with GAAP is net income (loss). The following is a reconciliation of the Company's net income (loss) to Adjusted EBITDA.

US $ millions		**2010**		**2009**		**2008**
Net loss	$	(96.8)	$	(25.8)	$	(13.9)
Depreciation of property and equipment		4.6		6.3		4.4
Amortization of multi-client data library		14.7		10.1		6.8
Amortization of intangible assets		0.4		0.4		0.4
Interest expense (income)		0.1		0.2		(0.7)
Income tax expense (recovery)		-		0.1		0.1
Restructuring costs		2.5		0.7		-
Stock-based compensation		1.7		2.3		2.4
Loss on disposal of property and equipment		0.1		(0.1)		0.7
Loss (gain) on foreign currency translation		0.4		(0.4)		1.1
Impairment on multi-client data library		52.8		-		-
Adjusted EBITDA	$	(19.5)	$	(6.2)	$	1.3

Adjusted EBITDA for the year ended December 31, 2010 was a loss of $19.5 million, compared to a loss of $6.2 million for the same period in 2009. The increase in the adjusted EBITDA loss for 2010 is primarily attributable to a decrease in revenue of $16.4 million as compared to the same period in 2009.

Depreciation of Property and Equipment

Depreciation expense for the years ended December 31, 2010 and 2009 totaled $4.6 million and $6.3 million, respectively. The decrease in depreciation expense is primarily the result of certain NEXTMap dedicated assets reaching the end of their useful lives. The capitalization of depreciation was $0.6 million in 2010, compared to $1.6 million for the same period in 2009. The capitalization of depreciation expense relates to the creation of the MCDL, and specifically relates to the dedication of internal resources (i.e., aircraft, radar, and production equipment) for the purpose of collecting and processing NEXTMap data. The decrease in the capitalization of depreciation is directly related to the ramp down of production associated with the creation of the NEXTMap datasets.

Amortization of MCDL

Amortization expense relating to the MCDL for the year ended December 31, 2010 increased to $14.7 million from $10.1 million for the same period in 2009. The increase in amortization expense was primarily due to the expansion of the underlying MCDL asset during 2010 and the application of the Company's amortization policy (see "Critical Accounting Policies and Estimates – MCDL").

Loss (Gain) on the Disposal of Equipment

In June 2010, the Company closed its Ottawa office resulting in the write-off of the associated leasehold improvements and the disposal of equipment that could not be further utilized. A loss of $72 thousand relating to the disposal of equipment was recorded. On June 15, 2009, the Company sold one of its aircraft. Proceeds on the sale of the aircraft totaled $1.0 million and a gain was recognized on the sale of the aircraft of $119 thousand.

Impairment of Multi-client Data Library

An impairment review was performed to determine if the carrying value of the NEXTMap USA and NEXTMap Europe asset groups were recoverable. The Company determined that the fair value of the datasets were insufficient to recover the carrying value of the assets, resulting in a pre-tax asset impairment charge of $52.8 million (see "NEXTMap").

Interest Income and Expense

Interest income is generated from investment of cash in only low-yield government-backed securities (see "Liquidity and Capital Resources"). The investment of these funds earned the Company $8 thousand in interest income during the year ended December 31, 2010, compared to $24 thousand during the same period in 2009. The decrease in interest income in 2010 compared to 2009 is the result of a decrease in the amount of cash available for investment.

Interest expense for the year ended December 31, 2010 totaled $150 thousand, compared to $223 thousand for the same period in 2009. The decrease in interest expense in 2010 compared to 2009 is due to the reduction of principal resulting from recurring payments on long-term debt and a term loan being paid in full on August 9, 2010.

Loss on Foreign Currency Translation

The Company continuously monitors the level of foreign currency assets and liabilities carried on the 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, 2010, a foreign currency translation loss of $0.3 million was recognized, compared to a gain of $0.4 million for the same period in 2009. The loss for 2010 was primarily the result of losses on the amounts receivable balances held in foreign currencies and cash held in Euros as a result of the strengthening of the United States dollar.

Income Tax

Current income tax expense of $58 thousand was incurred during the year ended December 31, 2010, compared to $0.2 million during the same period in 2009. This expense relates to taxable income generated from the Company's Indonesian, Slovak Republic, United Kingdom, Czech Republic, and Australian subsidiaries.

During the year ended December 31, 2010, a future income tax recovery of $22 thousand, compared to $7 thousand income tax expense for the same period in 2009, was recognized as a result of future tax expense related to the German subsidiary and a future income tax recovery resulting from the amortization of intangible assets held in the Czech Republic subsidiary, which have no tax basis. The Company did not recognize any income tax expense on any other operations during the years ended December 31, 2010 and 2009 due to losses incurred in the United States and Canada. The benefit of unused tax losses in Germany have been recognized in the financial statements as it was determined that the German subsidiary was more likely than not to be able to realize the benefit from these losses. The benefit of unused tax losses from all other subsidiaries have not been recognized in the financial statements as the potential benefit has been offset by a valuation allowance.

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 balance sheet as unbilled revenue.

Amounts receivable and unbilled revenue decreased to $5.2 million at December 31, 2010 from $12.6 million at December 31, 2009. The decrease was primarily due to a collection in January 2010 of cash related to one large project totaling $6.8 million. These amounts represent 120 days' sales at December 31, 2010, compared to 116 days' sales at December 31, 2009, and reflect specific project billing milestones on current contracts that were in progress on those dates.

The deferred revenue balance at December 31, 2010 increased by $4.2 million from December 31, 2009. This increase was primarily due to $4.5 million 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 revenue associated with these contracts is expected to be recognized during the first half of 2011.

Work in Process

Work in process generally results from the collection and processing of data for future licensing.
The Company has recorded the costs incurred for this data collection as work in process, and such costs will be expensed (i) once a contract has been received and the data is delivered; or (ii) if it is determined that the costs are greater than the net realizable value. Work in process for the year ended December 31, 2010

decreased to $59 thousand from $2.1 million at December 31, 2009. The decrease is primarily the result of a $1.8 million write down of previously collected mapping data in a specific region as it was determined that the recorded costs were greater than the net realizable value. The write down was charged to operations expense in 2010.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities generally include trade payables, project-related accruals, and personnel-related costs. Accounts payable and accrued liabilities increased slightly from $5.9 million in 2009 to $6.0 million in 2010. Accounts payable at December 31, 2010 includes $1.6 million that was converted to a promissory note during 2010 that defines the payment terms of the outstanding accounts payable balance. The balance is payable during the first half of 2011. Accrued liabilities at December 31, 2010 include $0.8 million of expenses related to a reduction in work force that occurred in the third quarter of 2010 and $0.3 million related to the closure of the Company's Ottawa office during 2010. At December 31, 2009, accrued liabilities include $0.5 million in costs related to a reduction in work force that occurred in the fourth quarter of 2009.

Assets Held for Sale and Deposit for Sale of Assets

During 2010, the Company committed to sell one of its IFSAR enabled aircraft, which is no longer required subsequent to the completion of the NEXTMap USA and NEXTMap Europe datasets. The aircraft and IFSAR radar equipment (including associated processing technology and software tools) have a net book value of $1.4 million and $0.3 million, respectively. The aircraft and associated IFSAR radar equipment are available for immediate sale and are presented as assets held for sale at December 31, 2010. The Company received payments totaling $4.0 million from the purchaser in December 2010, and such payments are presented as deposit for sale of assets at December 31, 2010, pending delivery of the aircraft and associated radar equipment to the customer.

Capital Lease Obligations and Long-term Debt

Capital lease obligations and long-term debt totaled $1.4 million at December 31, 2010, compared to $2.9 million at December 31, 2009. The decrease in capital lease obligations and long-term debt in 2010 are due primarily to the maturing of two outstanding term loans in August 2010. The terms of these loans called for final payments totaling $0.6 million and such payments were made in August 2010.

Other Long-term Liabilities

Other long-term liabilities totaled $0.5 million at December 31, 2010, compared to $nil at December 31, 2009. In June 2010, the Company closed an office in Ottawa, Canada, resulting in the recognition of a liability for future lease payments of $0.8 million. Of the total obligation, $0.5 million was recorded as other long-term liabilities and $0.3 million was included in accrued liabilities as of December 31, 2010.

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.

US $ millions except per share data	Q1 2009	Q2 2009	Q3 2009	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Q4 2010
Revenue:								
Contract services	$ 4.3	$ 3.5	$ 7.4	$ 4.9	**$ 1.2**	**$ 1.6**	**$ 0.7**	**$ 0.8**
Multi-client data licenses	1.2	2.7	3.0	3.3	**2.3**	**3.7**	**0.9**	**2.8**
Total revenue	$ 5.5	$ 6.2	$ 10.4	$ 8.2	**$ 3.5**	**$ 5.3**	**$ 1.6**	**$ 3.6**
Depreciation and amortization	$ 3.4	$ 4.2	$ 4.3	$ 4.9	**$ 4.8**	**$ 5.1**	**$ 4.8**	**$ 5.1**
Net income (loss)	$ (7.0)	$ (6.9)	$ (4.3)	$ (7.6)	**$ (11.2)**	**$ (10.1)**	**$ (11.8)**	**$ (63.8)**
Net income (loss) per share basic and diluted	$ (0.15)	$ (0.14)	$ (0.08)	$ (0.15)	**$ (0.21)**	**$ (0.21)**	**$ (0.20)**	**$ (1.13)**

Revenue

For the fourth quarter of 2010, revenue was $3.6 million, compared to $8.2 million for the same period in 2009. Contract services revenue decreased 84% in the fourth quarter of 2010 to $0.8 million, compared to $4.9 million in the same period in 2009. The decrease was primarily due to the recognition of revenue in the fourth quarter of 2009 from two large contract services projects in Asia and Germany totaling $1.8 million and $1.2 million, respectively, without any similar-sized projects in the fourth quarter of 2010. MCDL license revenue recognized during the fourth quarter of 2010 was $2.8 million, compared to $3.3 million during the same period in 2009. The decrease in MCDL license revenue was primarily attributable to decreased sales of NEXTMap USA data.

Operations

Operations expense totaled $3.8 million for the fourth quarter of 2010 and 2009. Prior to capitalization, gross operations expense for the fourth quarter of 2010 and 2009 was $4.4 million and $5.5 million, respectively. The decrease resulted primarily from reduced production and overhead expenses associated with the completion of the NEXTMap Europe and NEXTMap USA programs. The decrease in net operations expense was less than the decrease in gross operations expense due to a reduction in the capitalization of costs incurred as the NEXTMap programs progressed to completion. The capitalized costs decreased by $1.0 million from the fourth quarter of 2010 compared to the same period in 2009.

Research and Development

Research and development expense for the quarter ended December 31, 2010 was $0.5 million, compared with $0.8 million for the same period in 2009. The decrease in R&D expense for 2010 resulted from fewer costs incurred on the Company's NEXTMap services solutions, including consumer electronics and data products. The R&D costs incurred during the fourth quarter of 2010 were primarily related to web services development and software development efforts associated with the Company's 3D Roads product. The R&D costs incurred during the fourth quarter of 2009 were primarily attributable to software development efforts associated with the continued development of internal data editing and processing tools and the expansion of the Company's NEXTMap services solutions (including risk management, data products, and consumer electronics applications).

Sales, General and Administrative

SG&A expense includes employee compensation, database infrastructure costs, business development, sales, marketing, finance, administration, human resources, and facilities. For the fourth quarter of 2010, SG&A expense was $5.2 million, compared to $6.2 million for the same period in 2009. The decrease in SG&A expense for 2010 resulted primarily from a reduction in personnel-related costs and a reduction in external consulting and professional services. These reductions were offset partially by an increase in rent expense related to the closure of the Company's Ottawa, Canada office. The office closure resulted in the recording of an expense for future lease payments totaling $0.3 million during the fourth quarter of 2010, which is net of any estimated future sub-lease revenue.

Depreciation of Property and Equipment

For the fourth quarter of 2010, depreciation expense decreased by approximately $0.5 million, compared to the same period in 2009. The decrease in depreciation expense is primarily the result of certain NEXTMap dedicated assets reaching the end of their useful lives. The capitalization of depreciation was $52 thousand for the fourth quarter of 2010, compared to $0.3 million for the same period in 2009. The capitalization of depreciation expense relates to the creation of the MCDL, and specifically relates to the dedication of internal resources (i.e., aircraft, radar, and production equipment) for the purpose of collecting and processing NEXTMap data.

Amortization of MCDL

Amortization expense relating to the MCDL during the fourth quarter of 2010 increased to $3.9 million from $3.3 million for the same period in 2009. The increase in amortization expense was primarily due to the expansion of the underlying MCDL asset during 2010 and the application of the Company's amortization policy (see "Critical Accounting Policies and Estimates – MCDL").

Impairment of Multi-client Data Library

An impairment review was performed to determine if the carrying value of the NEXTMap USA and NEXTMap Europe dataset assets were recoverable. The Company determined that the fair value of the datasets was insufficient to recover the carrying value of the assets, resulting in a pre-tax asset impairment charge of $52.8 million (see "NEXTMap").

Interest Income and Expense

Interest income is generated from the investment of cash in only low-yield government-backed securities. The investment of these funds earned the Company $1 thousand in interest income during the fourth quarter of 2010, compared to $5 thousand during the same period in 2009. Interest expense for the fourth quarter of 2010 totaled $27 thousand, compared to $49 thousand for the same period in 2009. The decrease in interest expense in 2010 compared to 2009 is due to the reduction of principal resulting from recurring payments on long-term debt.

CONTRACTUAL OBLIGATIONS

Contractual obligations include (i) operating leases on office locations; (ii) capital leases on computer equipment and software; and (iii) long-term debt obligations. 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
Promissory Note	$ 1,639	$ 1,639	$ -	$ -	$ -
Operating leases	4,714	1,168	2,617	929	-
Capital leases	207	163	44	-	-
Long-term debt	1,270	586	684	-	-
Total	$ 7,830	$ 3,556	$ 3,345	$ 929	$ -

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, and deferred revenue; (ii) investing activities, including the investment in the MCDL and the purchase of property and equipment; and (iii) financing activities, including debt financing and the issuance of capital stock.

Cash used in operations during the year ended December 31, 2010 totaled $8.2 million, compared to cash used in operations of $12.0 million during the same period in 2009. The decrease of total cash used in operations during 2010 was the result of changes in working capital during 2010, specifically a decrease in amounts receivable of $8.1 million and an increase in deposits for sale of assets and deferred revenue totaling $4.4 million.

Net cash generated by financing activities totaled $3.9 million during the year ended December 31, 2010, compared to net cash generated in financing activities totaling $7.5 million during the same period in 2009. The net cash generated by financing activities during the year ended December 31, 2010 is primarily due to the completion of a share issuance of 8,125,000 shares for total gross consideration of $6.2 million (C$6.5 million). Cash generated from the share issuance was offset by cash used in the amounts of $0.7 million relating to securities issuance costs and $1.4 million for the repayment of long-term debt. Cash generated from financing activities during the year ended December 31, 2009 is primarily due to the completion of a share issuance of 5,750,000 units (each unit consists of one Class A common share of the Company and one-half of one common share purchase warrant) for total gross consideration of $9.5 million (C$11.5 million). Cash generated from the share issuance was offset by $0.8 million of securities issuance costs and $0.9 million from the repayment of long-term debt.

Net cash used in investing activities totaled $1.6 million for the year ended December 31, 2010, compared to $12.9 million during the same period in 2009. Cash used in investing activities during the year ended December 31, 2010 was primarily for investment in the MCDL of $4.6 million and the purchase of property and equipment of $1.1 million, compared to investment in the MCDL of $12.6 million and the purchase of property and equipment of $1.3 million during the same period in 2009. These amounts were offset by proceeds of $4.0 million and $1.0 million during the years ended December 31, 2010 and 2009, respectively, generated from the sale of the Company's aircraft. For the year ended December 31, 2010 compared to the same period in 2009, investment in the MCDL decreased as the NEXTMap Europe and the NEXTMap USA datasets neared completion. Following the completion of the NEXTMap datasets, Management expects capital resources to be limited primarily to property and equipment required to support the Company's information technology infrastructure and storage requirements for the MCDL.

The cash position of the Company at December 31, 2010 (cash and cash equivalents) was $4.4 million compared to $10.4 million at December 31, 2009. Working capital decreased to a negative $3.4 million as of December 31, 2010 from a positive $18.1 million as of December 31, 2009.

The negative working capital position at December 31, 2010 is primarily driven by deposits for sale of assets of $4.0 million and deferred revenue of $4.8 million. The deposits for sale of assets resulted from the receipt of payments for the purchase of an aircraft and radar system in the fourth quarter of 2010 for which the Company expects to deliver the assets to the purchaser in the second quarter of 2011. At December 31, 2010, $4.5 million of the deferred revenue balance relates to payments received from customers on contracts for which the Company expects to recognize revenue during the first half of 2011. Management believes these two current obligations will not negatively impact the Company's ability to meet financial or operational obligations during 2011 and the ultimate relief of the obligations, combined with anticipated improved operating results and / or financing activities, is expected to result in the Company returning to a positive working capital position during 2011.

During the year ended December 31, 2010, the Company incurred a loss of $96.8 million and had negative cash flow from operations of $8.2 million. In addition, the Company has an accumulated deficit of $175.3 million and its continuing operations are dependent on its ability to generate future profitable operations, sell excess capacity assets, or obtain additional financing to fund future operations and, ultimately, generate positive cash flows from operations.

The above factors raise significant doubt about the Company's ability to continue as a going concern. Management has taken actions to address these issues including several organizational restructurings, new senior management, sale of excess capacity assets, and a company-wide cost-reduction program. 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 raise additional financing. 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.

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 deferred revenue. Revenue recognized in excess of billings is recorded as unbilled revenue.

Goods Sold:
Revenue from the sale of MCDL licenses in the ordinary course is measured at the fair value of the consideration received or receivable.

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. 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 exceeds 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.

MCDL

The Company maintains an MCDL, which results from the acquisition and processing of digital map data. All ownership rights to this data are retained by the Company, and the data is licensed to customers on a non-transferable basis. All of the direct costs of acquiring and processing the data are capitalized as an investment in the MCDL. 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.

For NEXTMap programs, capitalized costs are amortized based on the percentage of total estimated costs to total estimated sales, multiplied by actual sales in the period. In the event the percentage changes as a result of a change in the estimate of total costs and / or total sales, amortization is adjusted accordingly.

Any costs that remain unamortized 18 months after being capitalized are amortized on a monthly basis at the greater of (i) a straight-line monthly amortization charge over 60 months; and (ii) the calculated charge based on sales during the period. The amortization period of 60 months represents the minimum estimated useful life over which benefits from the data are expected to be derived.

The carrying value of the MCDL is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future cash flows. The Company has determined that the NEXTMap USA and NEXTMap Europe datasets represent separate asset groups for impairment testing purposes. The Company has identified addressable markets for each of these datasets and has estimated future MCDL License sales and cash flows within these addressable markets. The forecasts of estimated MCDL cash flows are reviewed each quarter taking into account economic and market trends, technical advances, competitive developments, and actual sales versus forecasts. In December 2010, a strategic review of the Company's approach to selling the NEXTMap datasets in the United States and Europe was undertaken by the new executive management of the Company. Upon completion of this review, it was determined that the historical pricing strategy of the NEXTMap datasets required downward adjustment and the Company could no longer afford to invest the resources necessary to exploit certain target markets previously identified. These changes, coupled with the Company's history of losses, led the Company to perform an asset impairment review to determine if the carrying value of the NEXTMap USA and NEXTMap Europe asset groups were recoverable. The Company determined that the future expected cash flows of the datasets were insufficient to recover the carrying value of the assets, resulting in a pre-tax asset impairment charge of $52.8 million. Of this amount, $36.9 million applied to the NEXTMap USA asset and $15.9 million applied to NEXTMap Europe asset. Subsequent to the impairment charges, the net book value of the NEXTMap USA and NEXTMap Europe datasets at December 31, 2010 were $12.9 million and $10.1 million, respectively. The net book value of the NEXTMap USA and NEXTMap Europe datasets at December 31, 2009 was $56.3 million and $29.0 million, respectively. The impairment loss is included in impairment of multi-client data library on the Consolidated Statement of Operations and Consolidated Statement of Cash Flows.

Work In Process

Work in process is valued at the lower of cost and net realizable value. Management reviews the work in process regularly, and if in the estimation of management the net realizable value of the work in process is less than cost, a provision is recorded to reduce the carrying value of the work in process, and a corresponding expense is recognized thereby reducing the net income for the period. In the fourth quarter of 2010, the Company determined that the costs associated with data totaling $1.8 million were greater than the net realizable value, resulting in a write down of the work in process, and the write down was recorded to operations expense in 2010.

NEW ACCOUNTING POLICIES

In December 2009, the Canadian Institute of Chartered Accountants (CICA) issued EIC-175, "Multiple Deliverable Revenue Arrangements." This Abstract addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, the Abstract addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. The provisions of EIC-175 must be applied on a prospective basis beginning in the first annual fiscal period commencing on or after January 1, 2011, but early adoption is permitted. When the period of adoption is not the first reporting period of the fiscal year, the abstract should be applied retroactively from the beginning of the fiscal year.

The criteria in the new standard for identifying deliverables in a multiple-element arrangement that represent separate units of accounting has been changed and entities are no longer required to have objective and reliable evidence of fair value for each deliverable. The allocation of arrangement consideration amongst the separate units will now be based on a hierarchy of selling prices that includes (i) vendor-specific objective evidence (VSOE), if available; (ii) third-party evidence (TPE) of selling price, if VSOE is unavailable; and (iii) best estimate of the selling price (BESP), if neither VSOE nor TPE is available. VSOE is generally limited to the price charged when the same or similar product is sold separately. If a product or service is seldom sold separately, it is unlikely VSOE can be determined. TPE is determined based on competitor prices for similar deliverables when sold separately. The Company determines BESP for data licenses by considering multiple factors including, but not limited to, ongoing pricing strategy and policies, market conditions, and historical pricing practices.

Management believes it is appropriate to adopt EIC-175 early and on a prospective basis since it results in the measurement and recognition of revenues and cost of sales associated with data sales on a basis that is consistent with the way that Management measures and monitors the performance of the Company.

Prior to the adoption of EIC-175, the Company applied EIC-142, "Revenue Arrangements with Multiple Deliverables," in concluding whether its sales arrangements containing multiple deliverables could be accounted for as separate units of accounting. The Company reviewed each deliverable to determine whether they represented separate units of accounting, and reviewed the evidence of fair value for each unit. The Company previously applied the residual method to determine the arrangement consideration allocated to delivered MCDL licenses in multi-element sales arrangements in which objective and reliable evidence of the fair value of all undelivered elements existed.

During the year ended December 31, 2010, the Company entered into licensing agreements for its MCDL. These MCDL sales also included consulting services and data hosting services in the arrangement. The Company has applied the recommendations in EIC-175 to these MCDL license arrangements, and arrangement consideration has been allocated to the various deliverables based on their relative selling prices, as they were determined to be separate units of accounting. The selling price for contract services was determined using VSOE, for data hosting services using TPE, and for data licenses using BESP. Generally, revenues for MCDL sales are recognized on delivery, and for consulting services and hosting services revenues are recognized as the services are provided. Had EIC-142 been applied, the Company would have used the residual method to determine the arrangement consideration allocated to data licenses.

The adoption of EIC-175 did not have a significant impact on the amount, pattern, and timing of revenue recognized during 2010 or 2009. The adoption of the standard may result in revenues being recognized earlier in future periods as a result of the simplified criteria to be used in determining units of accounting and the use of the relative selling price method.

FUTURE CHANGES IN ACCOUNTING POLICIES

The conversion from GAAP to International Financial Reporting Standards (IFRS) will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS.

The Company commenced its IFRS conversion project in 2008. The project consists of three main phases: project plan and scoping, evaluation and design, and implementation and review.

The Company has completed the first two phases, which include development of a conversion program, a comprehensive analysis of the major differences between GAAP and IFRS applicable to the Company, identification of accounting policy alternatives, and a review of the information technology systems and the impact of the conversion on the business activities and internal control environment.

The Company has commenced phase three, which consists of an implementation of all differences between GAAP and IFRS, documentation of processes and controls related to the changes, and preliminary preparation of the consolidated financial statements and notes.

The Company has determined the differences between the standards, along with preferred accounting policies under IFRS. The areas affected by the conversion, as well as the impact to the financial statements, are as follows:

First-time Adoption of International Financial Reporting Standards (IFRS 1) – The adoption of IFRS will require the application of IFRS 1, which provides guidance of an entity's initial adoption of IFRS. IFRS 1 generally requires that an entity apply all IFRS effective at the end of its first IFRS reporting period retrospectively. However, IFRS 1 does not include certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from this general requirement. The following are the significant optional exemptions available under IFRS 1 that the Company expects to apply in its first financial statements under IFRS: (i) business combinations – the Company has elected to not apply IFRS 3, "Business Combinations," retrospectively to past business combinations. Accordingly, the Company has not restated business combinations that took place prior to the transition date; (ii) borrowing costs – the Company has elected to apply IAS 23, "Borrowing Costs," prospectively as of the date of transition. Accordingly, the Company has not restated borrowing costs that were expensed prior to the transition date; (iii) fair value or revaluation as deemed cost – the Company has elected not to record property, plant, and equipment at fair value at the date of transition and will continue to use a historical cost basis; and (iv) cumulative translation differences – the Company has elected to set the previously accumulated cumulative translation account, which was included in accumulated other comprehensive income, to zero at January 1, 2010 and absorbed the previously accumulated cumulative translation balance into retained earnings. This exemption has been applied to all subsidiaries. The remaining optional exemptions are not expected to be significant to the Company's adoption of IFRS.

Property and Equipment – IFRS requires a "component" approach to classifying assets in which certain classes of assets may be separated into components and depreciated over separate useful lives. The main assets identified for further componentization are the Company's aircraft. The Company has determined that the property and equipment balance will decrease by $78 thousand as of the transition date as a result of this approach to classifying assets.

Impairment – IFRS requires property, plant, equipment, intangibles, and goodwill to be assessed for impairment at the "cash-generating unit" level, rather than the reporting unit level considered by GAAP. Recognizing that the method to assess impairment is different from GAAP, the Company has evaluated the carrying value of its MCDL datasets under IFRS and determined that there is no impairment to the assets as of the transition date. Under GAAP, a two step approach is followed. In the first step the discounted cash flows are compared to the carrying value of the asset group to determine if there is any impairment. If the undiscounted cash flows exceed the carrying value then no second step is performed. If the undiscounted cash flows do not exceed the carrying value of the asset group then the fair value of the asset group is determined in order to assess the impairment charge. IFRS uses a single approach and the fair value of cash generating units is determined in order to assess any impairment charge.

Multi-Client Data Library – The Company applied a sales forecast method to the MCDL under GAAP. Under IFRS the Company will amortize these assets on a straight-line basis over their useful life. Additionally, the net book value of the MCDL assets will be increased by $2.2 million as of the transition date to retroactively apply the Company's amortization policy under IFRS to the MCDL.

Provisions – Recognition and measurement differences exist with respect to thresholds for establishing liabilities and the determination of the amount of provisions to be recorded. For example, IFRS requires liabilities to be established as a result of past practice or actions even if no legal obligation exists. Management has identified restructuring provisions that would have to be recognized earlier under IFRS, compared to GAAP, which result in an increase in accrued liabilities of $0.7 million as of the transition date.

Share-based Payments – IFRS requires that awards that vest in installments be measured and accounted for as though each installment is a separate award with the fair value being recognized over the vesting period of each installment. As a result, more compensation expense will be recognized under IFRS in the earlier portion of the vesting period than under GAAP. Additionally, the increase in expense will increase the Contributed Surplus balance by $1.0 million as of the transition date.

Functional Currency – IFRS requires each entity to determine its functional currency based on the primary economic environment in which the entity operates. This assessment is made by first evaluating primary indicators, which include: (i) currency that mainly influences sales prices; (ii) currency that mainly influences labor, material, and other costs; and (iii) country whose competitive forces and regulations mainly determine sales prices.

The following table identifies the impact of the transition from GAAP to IFRS as of the transition date of January 1, 2010:

	GAAP 1/1/2010	Effect of Transition to IFRS	IFRS 1/1/2010
Property and equipment	**13,380**	(78)	13,302
Multi-client data library	**85,276**	2,244	87,520
Accounts payable and accrued liabilities	**(5,916)**	(714)	(6,630)
Contributed surplus	**(6,882)**	(976)	(7,858)
Accumulated other comprehensive income	**(6,194)**	6,194	-
Deficit	**78,505**	(6,670)	71,835
	158,169	**-**	**158,169**

A number of financial statement presentation differences exist between GAAP and IFRS, including, but not limited to, the classification of the statement of earnings by nature or function and increased footnote disclosure. The Company will address these presentation differences as it prepares its draft IFRS financial statements for the first quarter of 2011. The Company has made significant progress in the preparation of the draft IFRS financial statements and related footnote disclosures to reflect the revised presentation and disclosure requirements under IFRS. The IFRS project is on target to meet the changeover date.

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 7, 2011, 60,853,118 Class A common shares were issued and outstanding. There are no preferred shares currently issued and outstanding.

As of March 7, 2011, 4,519,800 stock options are outstanding in the Company's stock option plan with a weighted average exercise price of C$3.62. In addition, there are 575,000 warrants outstanding that are exercisable with a weighted average exercise price of C$1.45, 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, 2010, 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, 2010 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. There have been no changes in the design of internal controls over financial reporting that occurred during the year ended December 31, 2010 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.

Revenue Fluctuations

Intermap's revenue has fluctuated over the years. Mapping projects, the purchase of archived data, and the purchase of geospatial solutions are all scheduled according to client 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.

Availability of Capital

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

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

The Company is uncertain what impact the current volatility in worldwide credit and equity markets may have on its ability to obtain future financing. Since 2008, there has been unprecedented turmoil in equity and credit markets, hedge fund closures, and massive market interventions by the United States and foreign governments. 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.

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 2010, the Company had five key customers that accounted for 50% of the Company's total revenue. In 2009, the Company had one customer that accounted for approximately 55% of the Company's total revenue. To the extent that significant customers cancel or delay orders, Intermap's revenue, earnings, and cash flow could be materially and adversely affected.

Executive Talent

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

Common Share Price Volatility

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

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

Loss of Proprietary Information

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

Information Technology Security

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

Breakdown of Strategic Alliances

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

New Competing Technologies

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

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.

Exporting Products – Political Considerations

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

Foreign Operations

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

Political Instability

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

Regulatory Approvals

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

Aircraft/Radar Lost or Damaged

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

Global Positioning System ("GPS") Failure

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

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 website at www.intermap.com and on SEDAR at www.sedar.com.

Management's Report

The accompanying financial statements of Intermap Technologies Corporation and all the information in this annual report are the responsibility of the Company's management. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. 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.

Todd Oseth
President & Chief Executive Officer

Richard L. Mohr
Senior Vice President & Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the accompanying consolidated financial statements of Intermap Technologies Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and December 31, 2009, the consolidated statements of operations, comprehensive loss and deficit 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 Canadian generally accepted accounting principles, 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 Corporation'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 Corporation'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, 2010 and December 31, 2009, and its consolidated results of operations and its consolidated cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes that for the year ended December 31, 2010 the Company incurred a net loss of $96,872,000, had negative cash flow from operations of $8,160,000 and as at December 31, 2010 has an accumulated deficit of $175,377,000. These conditions, along with other matters described in Note 1, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
March 3, 2010

Ottawa, Canada

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(In thousands of United States dollars)

		December 31, 2010		December 31, 2009
Assets				
Current assets:				
Cash and cash equivalents	$	**4,356**	$	10,355
Amounts receivable		**4,156**		12,270
Unbilled revenue		**1,016**		343
Work in process		**59**		2,057
Prepaid expenses		**1,039**		1,481
Assets held for sale (Note 5)		**1,700**		-
		12,326		26,506
Property and equipment (Note 6)		**7,766**		13,380
Multi-client data library (Note 7)		**23,049**		85,276
Intangible assets (Note 8)		**488**		909
Future income taxes (Note 13)		**5**		136
	$	**43,634**	$	126,207
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (Note 9)	$	**5,889**	$	5,916
Current portion of deferred lease inducements		**123**		171
Deferred revenue		**4,873**		674
Deposit for sale of assets (Note 5)		**4,000**		-
Income taxes payable		**50**		42
Current portion of obligations under capital lease (Note 10)		**151**		229
Current portion of long-term debt (Note 11)		**527**		1,383
		15,613		8,415
Deferred lease inducements		**286**		129
Other long-term liabilities (Note 15)		**531**		-
Obligations under capital lease (Note 10)		**41**		130
Long-term debt (Note 11)		**658**		1,121
Future income taxes (Note 13)		**93**		218
		17,222		10,013
Shareholders' equity:				
Share capital (Note 12)		**187,253**		181,623
Contributed surplus (Note 12(c))		**8,342**		6,882
Deficit		**(175,377)**		(78,505)
Accumulated other comprehensive income		**6,194**		6,194
		26,412		116,194
Going concern (Note 1)				
Commitments (Note 14)				
Subsequent event (Note 15)				
	$	**43,634**	$	126,207

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Larry G. Garberding
Director

Donald R. Gardner
Director

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

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

For the Years Ended December 31,		2010		2009
Revenue:				
Contract services	$	**4,280**	$	20,143
Multi-client data licenses		**9,652**		10,164
		13,932		30,307
Operating costs:				
Operations		**10,511**		9,404
Research and development		**2,486**		3,643
Sales, general and administrative		**22,173**		25,772
Restructuring costs (Note 15)		**2,541**		673
Depreciation of property and equipment		**4,577**		6,302
Amortization of multi-client data library		**14,702**		10,074
Amortization of intangible assets		**421**		422
Loss (gain) on disposal of equipment		**72**		(119)
Impairment of multi-client data library		**52,762**		-
		110,245		56,171
Loss before interest, foreign exchange and income taxes		**(96,313)**		(25,864)
Interest expense, net		**(142)**		(199)
(Loss) gain on foreign currency translation		**(354)**		372
Loss before income taxes		**(96,809)**		(25,691)
Income tax expense (recovery):				
Current		**57**		156
Future		**6**		(7)
		63		149
Net loss and comprehensive loss		**(96,872)**		(25,840)
Deficit, beginning of period		**(78,505)**		(52,665)
Deficit, end of period	$	**(175,377)**	$	(78,505)
Basic and diluted loss per share	$	**(1.71)**	$	(0.51)
Weighted average number of Class A common shares - basic and diluted (Note 12(d))		**56,502,778**		50,342,816

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of United States dollars)

For the Years Ended December 31,	2010	2009
Cash flows (used in) provided by:		
Operations:		
Net loss	$ (96,872)	$ (25,840)
Items not involving cash and cash equivalents:		
Depreciation of property and equipment	4,577	6,302
Amortization of multi-client data library	14,702	10,074
Impairment of multi-client data library	52,762	-
Amortization of intangible assets	421	422
Stock-based compensation	1,685	2,247
Loss (gain) on disposal of equipment	72	(119)
Amortization of deferred lease inducements	(279)	(240)
Future income taxes	6	(7)
Change in non-cash operating working capital	14,766	(4,800)
	(8,160)	(11,961)
Financing:		
Proceeds from issuance of common shares	6,157	9,540
Securities issuance costs	(725)	(841)
Repayment of obligations under capital lease	(167)	(342)
Repayment of long-term debt	(1,390)	(882)
	3,875	7,475
Investments:		
Purchase of property and equipment	(1,015)	(1,288)
Investment in multi-client data library	(4,606)	(12,627)
Proceeds from sale of equipment	4,019	1,039
	(1,602)	(12,876)
Effect of foreign exchange on cash	(112)	470
Decrease in cash and cash equivalents	(5,999)	(16,892)
Cash and cash equivalents, beginning of period	10,355	27,247
Cash and cash equivalents, end of period	$ 4,356	$ 10,355
Supplemental cash flow information:		
Cash paid for interest expense	$ 140	$ 220
Cash paid for income taxes	$ 154	$ 96

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty.

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

Intermap Technologies® Corporation (the Company) is incorporated under the laws of Alberta, Canada. Intermap® is a digital mapping company creating uniform high-resolution 3D digital models of the earth's surface. The Company is mapping entire countries and building a uniform national database, called NEXTMap®, consisting of elevation data and orthorectified radar images.

1. 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, 2010, the Company incurred a loss of $96,872, and had negative cash flow from operations of $8,160. In addition, the Company has an accumulated deficit of $175,377, and its continuing operations are dependent on its ability to generate future profitable operations, sell excess capacity assets, or obtain additional financing to fund future operations, and ultimately, generate positive cash flows from operations.

The above factors raise significant doubt about the Company's ability to continue as a going concern. Management has taken actions to address these issues including an organizational restructuring, sale of excess capacity assets, a company-wide cost reduction program, and a revised approach to pricing and selling the Company's products and services. 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. 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 was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Summary of significant accounting policies:

a. Basis of consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Intermap Technologies Inc. and Intermap Federal Services Inc. (both U.S. corporations); Intermap Technologies GmbH (a German corporation); Intermap Technologies UK Limited (a U.K. corporation); Intermap Technologies PTY Ltd (an Australian corporation); Intermap Technologies s.r.o. (a Czech Republic corporation); Intermap Technologies s.r.o. (a Slovak Republic corporation); a 90% owned subsidiary, PT ExsaMap Asia (an Indonesian corporation); and a 49.9% owned joint venture, PASCOMap LLC. The PASCOMap joint venture was dissolved in December of 2010 (see Note 4).

b. Use of estimates:

Preparing financial statements in conformity with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Significant management estimates are found in the impairment of and useful lives of long-lived assets, net realizable value of work in process, and in the estimated costs to complete contracts accounted for under the percentage-of-completion method.

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. 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. During the year ended December 31, 2010, the Company recognized a write-down of work in process of $1,869 relating to previously collected mapping data in a specific region as it was determined that the recorded costs were greater than the net realizable value.

d. Property and equipment:

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed when incurred. The cost of aircraft overhauls are capitalized and depreciated over the period until the next overhaul. Depreciation is provided on the straight-line basis over the useful lives of the assets at the following annual rates:

Assets	Rate
Aircraft	10%
Mapping equipment and software	33%
Radar equipment	20%
Furniture and fixtures	20%
Automobiles	20%
Leasehold improvements	Shorter of useful life or term of lease

Assets under construction are not depreciated until available for use by the Company.

e. Multi-client data library (MCDL):

The Company maintains a MCDL, which results from the acquisition and processing of digital map data. All ownership rights to this data are retained by the Company, and the data is licensed to customers on a non-transferable basis. All of the direct costs of acquiring and processing the data are capitalized as an investment in the MCDL. 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.

MCDL capitalized costs are amortized based on the percentage of total estimated costs to total estimated sales, multiplied by actual sales in the period. In the event the percentage changes as a result of a change in the estimate of total costs and / or total sales, amortization is adjusted accordingly.

Any costs which remain unamortized 18 months after being capitalized are amortized on a monthly basis at the greater of (i) a straight-line monthly amortization charge over 60 months; and (ii) the calculated charge based on sales during the period. The amortization period of 60 months represents the minimum estimated useful life over which benefits from the data are expected to be derived.

The carrying value of the MCDL is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment adjustment of $52,762 has been recorded as of December 31, 2010 to the MCDL (see Note 7).

f. Intangible assets:

Intangible assets represent assets acquired in a business combination. All intangible assets held by the Company are amortized on a straight-line basis over their estimated useful life of five years. The amortization method and estimate of the useful life of intangible assets are reviewed annually.

g. Impairment of long-lived assets:

Long-lived assets, including property and equipment, MCDL, and intangible assets, are grouped at the lowest level of independent cash flows and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Negative historical financial results, reduced revenue forecasts, and the Company's ability to fund future product development activities are some of the indicators the Company uses in evaluating whether impairment may exist. The Company also makes assessments as to whether current revenue declines based on market and economic conditions are an indication of the expected long-term value realization of the long-lived assets.

Recoverability is measured by a comparison of the carrying amount of the asset to the estimated future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized as the amount by which the carrying value of the asset exceeds its fair value.

h. Leases:

Leases are classified as either capital or operating in nature. Capital leases are those that substantially transfer the benefits and risks of ownership to the lessee. Assets acquired under capital leases are depreciated at the same rates as those described in Note 2(d). Obligations recorded under capital leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense.

i. Assets held for sale:

Assets held for sale represent those assets for which the Company has commited to a plan to (i) sell the asset; (ii) are available for immediate sale; (iii) have actively sought to locate a buyer; and (iv) the sale is expected to be completed within one year. These assets are being marketed for a price that is reasonable in relation to the assets current fair value. Assets classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell and are not amortized while classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be accrued.

j. Deferred lease inducements:

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

k. Foreign currency translation:

The measurement currency of the Company and its subsidiaries is the United States dollar. Integrated foreign operations and foreign denominated assets and liabilities of the Company are translated using the temporal method. Under this method, monetary assets and liabilities are translated at the prevailing rates of exchange, non-monetary assets and liabilities are translated at historic exchange rates, and revenue and expense items are translated at prevailing average exchange rates during the year. Exchange gains and losses are included in the statement of operations.

l. Income taxes:

Income taxes are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs.

m. 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 deferred revenue. Revenue recognized in excess of billings is recorded as unbilled revenue.

Goods Sold:
Revenue from the sale of MCDL licenses in the ordinary course is measured at the fair value of the consideration received or receivable.

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. 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.

n. Research and development:

Research costs are expensed as incurred. Development costs are expensed in the year incurred unless Management believes a development project meets the generally accepted accounting criteria for deferral and amortization. Funding received in respect of research and development agreements is recorded as a reduction of research and development expenses.

o. Stock-based compensation:

The Company has a stock-based compensation plan which is described in Note 12(g). The Company accounts for all stock-based awards to employees and non-employees using the fair value based method. Under the fair value based method, stock-based payments to non-employees are measured at the fair value of the consideration received, the fair value of the equity instrument issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Upon exercise of a stock option, share capital is recorded as the sum of the cash proceeds received and the related amount of contributed surplus.

p. Loss per share:

The basic loss per share is computed by dividing net loss by the weighted average shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares for stock options and warrants is calculated by assuming outstanding stock options and warrants were exercised and the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

q. Financial instruments:

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. 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 equivalents	Held to maturity
Amounts receivable	Loans and receivables
Unbilled revenue	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities
Other long-term liabilities	Other liabilities
Deposit for sale of assets	Other liabilities

Held-for-trading ("HFT")
The Company has not designated any non-derivative financial assets as HFT, nor has it designated any non-derivative financial liabilities as HFT.

Available-for-sale ("AFS")
The Company has not designated any financial assets as AFS.

Held-to-maturity ("HTM")
HTM financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables; the Company has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost, using the effective interest rate method. The short-term deposits classified as HTM financial assets are recorded as cash and cash equivalents on the accompanying balance sheet. Interest earned on these instruments is included in interest income.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments. Loans and receivables are recorded at amortized cost, using the effective interest rate method. The instruments classified as loans and receivables are recorded as amounts receivable on the accompanying balance sheet.

Other liabilities
This includes all financial liabilities that are not required to be designated by the Company as held for trading upon initial recognition. Other liabilities are recorded at amortized cost, using the effective interest rate method. The instruments classified as other liabilities include accounts payable and accrued liabilities, other long-term liabilities, deposit for sale of assets, and long-term debt, and are recorded as such on the accompanying balance sheet.

r. Derivatives:

As of December 31, 2010, the Company had one derivative instrument, resulting from a written put option held by a non-controlling investor in the Company's Indonesian subsidiary, P.T. ExsaMap Asia. The Company is required to recognize a financial liability for the present value of the redemption amount of the put instrument held by the minority interest holder. The present value of the redemption amount at December 31, 2010 is approximately $21. However, based on terms set out in the agreement between the Company and the non-controlling investor, the Company had provided the investor with an advance of $21on this redemption amount. As such, the Company has offset the financial liability against the advance on its consolidated balance sheet.

s. Comprehensive income (loss):

All exchange differences resulting from the Company's adoption of the Unites States dollar as its reporting currency, effective January 1, 2005, were recorded in the cumulative translation account, which now forms part of accumulated other comprehensive income within the Company's shareholders' equity. The Company did not recognize any changes in fair value of available-for-sale financial assets or any self-sustaining subsidiaries in other comprehensive income during the period.

t. Joint venture:

The Company uses the proportionate consolidation method to account for its interest in PASCOMap LLC, as there is joint control over the related economic activity. The Company determines joint control when there is existence of a contractual agreement to share continuing power with other participating parties to determine strategic operating, investing, and financing activities of the joint venture.

u. New accounting policies:

In December 2009, the Canadian Institute of Chartered Accountants (CICA) issued EIC-175, "Multiple Deliverable Revenue Arrangements." This Abstract addresses some aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Specifically, the Abstract addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. The provisions of EIC-175 must be applied beginning in the first annual fiscal period commencing on or after January 1, 2011, but early adoption is permitted.

When the period of adoption is not the first reporting period of the fiscal year, the abstract should be applied retroactively from the beginning of the fiscal year.

The criteria in the new standard for identifying deliverables in a multiple-element arrangement that represent separate units of accounting has been changed and entities are no longer required to have objective and reliable evidence of fair value for each deliverable. The allocation of arrangement consideration amongst the separate units will now be based on a hierarchy of selling prices which includes (i) vendor specific objective evidence (VSOE), if available; (ii) third-party evidence (TPE) of selling price if VSOE is unavailable; and (iii) best estimate of the selling price (BESP) if neither VSOE nor TPE is available. VSOE is generally limited to the price charged when the same or similar product is sold separately. If a product or service is seldom sold separately, it is unlikely VSOE can be determined. TPE is determined based on competitor prices for similar deliverables when sold separately. The Company determines BESP for data licenses by considering multiple factors including, but not limited to, ongoing pricing strategy and policies, market conditions, and historical pricing practices.

Management believes it is appropriate to adopt EIC-175 early since it results in the measurement and recognition of revenues and cost of sales associated with data sales on a basis that is consistent with the way that Management measures and monitors the performance of the Company.

Prior to the adoption of EIC-175, the Company applied EIC-142, "Revenue Arrangements with Multiple Deliverables," in concluding whether its sales arrangements containing multiple deliverables could be accounted for as separate units of accounting. The Company reviewed each deliverable to determine whether they represented separate units of accounting and reviewed the evidence of fair value for each unit. The Company previously applied the residual method to determine the arrangement consideration allocated to delivered MCDL licenses in multi-element sales arrangements where objective and reliable evidence of the fair value of all undelivered elements existed.

During the year ended December 31, 2010, the Company entered into licensing agreements for its MCDL that also included consulting services and hosting services in the arrangement. The Company has applied the recommendations in EIC-175 to these MCDL license sales and arrangement consideration has been allocated to the various deliverables based on their relative selling prices, as they were determined to be separate units of accounting. The selling price for contract services was determined using VSOE, for hosting services using TPE, and for data licenses BESP was used. Generally, revenues for MCDL sales are recognized on delivery and for consulting services and hosting services revenues are recognized as the services are provided. Had EIC-142 been applied, the Company would have used the residual method to determine the arrangement consideration allocated to data licenses.

The adoption of EIC-175 did not have a significant impact on the amount, pattern, and timing of revenue recognized during 2009. The adoption of the standard may result in revenues being recognized earlier in future periods as a result of the simplified criteria to be used in determining units of accounting and the use of the relative selling price method.

3. Future accounting standards:

The conversion from GAAP to International Financial Reporting Standards (IFRS) will be applicable to the Company's reporting for the first quarter of 2011, for which the current and comparative information will be prepared under IFRS. The Company is on schedule to meet the required reporting date.

4. Joint venture:

During 2008, the Company entered into a joint venture agreement with PASCO Corporation. The joint venture, PASCOMap LLC, was 49.9% owned by the Company and 50.1% owned by PASCO Corporation and was formed to develop, market, and license digital elevation model data using radargrammetry technology and satellite radar data. The joint venture was dissolved in December 2010. As of December 31, 2010, amounts included in the Company's consolidated financial statements related to PASCOMap LLC were cash of $nil (2009 – $19), accounts payable of $nil (2009 – $56) and operating cost of $14 (2009 – $39). As of December 31, 2010, there are no material commitments or contingencies related to the joint venture.

5. Asset held for sale:

During 2010, the Company committed to sell one of its IFSAR-enabled aircraft, which is no longer required subsequent to the completion of the NEXTMap USA and NEXTMap Europe datasets. The aircraft and IFSAR radar equipment have a net book value of $1,354 and $346, respectively. The aircraft and associated IFSAR radar equipment (including associated processing technology and software tools) are available for immediate sale and are presented within current assets as assets held for sale on the December 31, 2010 consolidated balance sheet. The Company received payments totaling $4,000 from the purchaser in December 2010, and such payments are presented in the December 31, 2010 consolidated balance sheet within current liabilities as deposit for sale of assets, pending delivery of the aircraft and associated radar equipment. The assets held for sale were determined to have a fair value (less estimated costs to sell) in excess of the carrying value, and are therefore recorded at book value as of December 31, 2010.

6. Property and equipment:

December 31, 2010	Cost	Accumulated depreciation	Net book value
Aircraft	$ 10,824	$ 7,337	$ 3,487
Mapping equipment and software	19,508	16,665	2,843
Radar equipment	6,486	5,747	739
Furniture and fixtures	587	545	42
Automobiles	99	64	35
Leasehold improvements	1,468	1,068	400
Assets held under capital leases:			
Mapping equipment and software	1,504	1,315	189
Assets under construction:			
Mapping equipment and software	31	-	31
	$ 40,507	$ 32,741	$ 7,766

December 31, 2009		Cost		Accumulated depreciation		Net book value
Aircraft	$	13,543	$	7,819	$	5,724
Mapping equipment and software		22,409		17,484		4,925
Radar equipment		12,403		10,868		1,535
Furniture and fixtures		587		500		87
Automobiles		99		44		55
Leasehold improvements		1,228		918		310
Assets held under capital leases:						
Mapping equipment and software		1,880		1,527		353
Assets under construction:						
Mapping equipment and software		391		-		391
	$	52,540	$	39,160	$	13,380

During the year ended December 31, 2010, property and equipment was acquired at an aggregate cost of $1,015 (year ended December 31, 2009 – $1,288). The Company also received $370 (year ended December 31, 2009 – $100) in leasehold improvements that were paid for by the landlord in connection with the signing of a new lease on the Calgary, Canada facility.

During the year ended December 31, 2010, the Company received $12 in proceeds from the sale of equipment. The equipment had a net book value of $6, and the Company incurred $8 of costs to accommodate the sale. The Company disposed of equipment and leasehold improvements in connection with the closure of the Ottawa office with a cost of $4,366 and accumulated depreciation of $4,281. The Company received $7 in proceeds.

7. Multi-client data library:

		December 31, 2010		December 31, 2009
Cost:				
Balance, beginning of year	**$**	**115,093**	$	100,899
Add:				
Direct costs and overhead		**4,606**		12,627
Capitalized depreciation		**631**		1,567
Impairment charge		**(52,762)**		-
Balance, end of year		**67,568**		115,093
Accumulated amortization		**(44,519)**		(29,817)
	$	**23,049**	$	85,276

In December of 2010, a strategic review of the Company's approach to selling the NEXTMap datasets in the United States and Europe was undertaken by the new executive management of the Company. Upon completion of this review, it was determined that the historical pricing strategy of the NEXTMap datasets required downward adjustment and the Company could no longer afford to invest the resources necessary to exploit certain target markets previously identified. As a result, an impairment review was performed to determine if the carrying value of the NEXTMap USA and NEXTMap Europe asset groups were recoverable. The fair value of the NEXTMap datasets was determined using the respective estimated discounted future cash flows produced by the datasets. The cash flows were discounted at a rate commensurate with the risk associated with the cash flows and assets. The Company determined that the future estimated cash flows of the datasets were insufficient to recover the carrying value of the assets, resulting in a pre-tax asset impairment charge of $52,762. The impairment loss is included in impairment of multi-client data library on the Consolidated Statement of Operations and Consolidated Statement of Cash Flows. The following table outlines the charges associated with the impairment for the period ended December 31, 2010:

	Historical Cost	Accumulated Amortization	Impairment	Fair Value at December 31 2010
NEXTMap USA	$ 81,064	$ (31,249)	$ (36,870)	**$ 12,945**
NEXTMap Europe	39,266	(13,270)	(15,892)	**10,104**
	$ 120,330	$ (44,519)	$ (52,762)	**$ 23,049**

8. Intangible assets:

December 31, 2010	**Cost**	**Accumulated amortization**	**Net book value**
Technology	$ 1,747	$ 1,342	$ 405
Customer relationships	233	179	54
Contracts	126	97	29
	$ 2,106	**$ 1,618**	**$ 488**

December 31, 2009	Cost	Accumulated amortization	Net book value
Technology	$ 1,747	$ 992	$ 755
Customer relationships	233	133	100
Contracts	126	72	54
	$ 2,106	$ 1,197	$ 909

9. Accounts payable and accrued liabilities:

At December 31, 2010, accounts payable and accrued liabilities include a promissory note with a service provider that defines the payment terms of an outstanding accounts payable balance. The note bears interest at 4% per annum and is secured by an aircraft owned by the Company. The payment terms of the note are designated as a percentage of the proceeds received under a specified mapping services contract during 2011. The principal balance of the promissory note at December 31, 2010 was $1,639 (2009 – nil).

10. Obligations under capital lease:

Future minimum capital lease payments as of December 31 are:

	2010	2009
Twelve months ended December 31:		
2010	$ -	$ 237
2011	163	132
2012	31	-
2013	13	-
Total minimum lease payments	207	369
Less amount representing interest (at rates ranging from approximately 3.3% to 17.0%)	(15)	(10)
Present value of minimum lease payments	192	359
Less current portion of obligations under capital lease	(151)	(229)
	$ 41	$ 130

In July 2010, the Company entered into a capital lease to finance the purchase of $74 of data storage. The lease bears interest at an implicit rate of 17.0% and is secured by the underlying assets.

11. Long-term debt:

		December 31, 2010		December 31, 2009
Bank term loan (a)	$	**1,185**	$	1,589
Term loans (b)		**-**		915
		1,185		2,504
Less current portion		**(527)**		(1,383)
	$	**658**	$	1,121

(a) 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.

(b) In January 2008, the Company obtained a term loan from a Canadian financing company in the amount of $605. The loan was repayable in monthly installments of principal and interest of $21 over a term of 31 months and matured on August 9, 2010. The loan carried an interest rate of 7.86% and was secured by a general security agreement. The loan was paid in full on August 9, 2010.

In August 2005, the Company obtained a term loan from a Canadian financing company in the amount of $1,715. The loan was repayable in monthly installments of principal and interest of $25 over a term of 60 months and matured on August 9, 2010, at which point the remaining balance of $578 was due. The loan carried an interest rate of 6.5% and was secured by a general security agreement. The loan was paid in full on August 13, 2010.

Principal repayments of long-term debt are as follows:

Twelve months ended December 31,		
2011	$	527
2012		561
2013		97
	$	1,185

12. Share capital:

a. Authorized:

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

b. Issued:

	December 31, 2010			December 31, 2009		
Class A common shares	Number of Shares		Amount	Number of Shares		Amount
Balance, beginning of period	**52,432,037**	**$**	**181,623**	46,188,713	$	172,288
Stock-based compensation	**239,470**		**198**	493,324		813
Issuance of shares	**8,125,000**		**6,157**	5,750,000		9,540
Issuance costs	**-**		**(725)**	-		(1,018)
Balance, end of period	**60,796,507**	**$**	**187,253**	52,432,037	$	181,623

On October 1, 2010, 136,770 Class A common shares were issued to employees of the Company as compensation for services. Compensation expense of $98 for these Class A common shares has been included in sales, general and administrative expenses (see Note 12(e)).

On July 6, 2010, the Company issued on a bought deal basis 8,125,000 Class A common shares at a price of $0.80 CDN per Class A common share, representing gross proceeds to the Company of $6,157 ($6,500 CDN). In connection with the share issuance, the Company issued a compensation option to its underwriters entitling them to purchase an aggregate of 500,000 Class A common shares at a price of $0.80 CDN per Class A common share at any time for a period of 12 months following the closing of the offering. The Company recorded non-cash issuance costs related to these awards based on the fair value of the award at the date of the closing of $110, bringing total costs of the issuance to $725.

On June 30, 2010, 102,700 Class A common shares were issued to non-employee directors of the Company as compensation for services. Compensation expense for these Class A common shares has been included in sales, general and administrative expenses (see Note 12(e)).

On June 4, 2009, 73,338 Class A common shares were issued to non-employee directors of the Company as compensation for services. Compensation expense for these Class A common shares has been included in sales, general and administrative expenses (see Note 12(e)).

On May 15, 2009, 419,986 Class A common shares were issued to employees of the Company as compensation for services provided in 2008 following shareholder approval on May 12, 2009.

On April 27, 2009, the Company issued, on a bought deal basis, 5,000,000 units (Units) at a price of $2.00 CDN per unit, representing gross proceeds of $8,200 ($10,000 CDN). Each unit consisted of one Class A common share of the Company and one-half of one common share purchase warrant (Warrant). Each whole Warrant will be exercisable at a price of $3.00 CDN per Class A common share for a period of one year after the closing date. The warrants expired on April 27, 2010 unexercised. The Company paid the underwriters a cash commission equal to 5.5% or $451 ($550 CDN) of the gross proceeds of the offering, and incurred additional transaction-related fees of $310 ($368 CDN).

In connection with the April 27, 2009 share issuance, the Company issued a compensation option to its underwriters, entitling them to purchase an aggregate of 250,000 Class A common shares, at a price of $2.00 CDN per Class A common share, at any time for a period of 12 months following the closing of the offering. The Company recorded non-cash issuance costs related to these awards based on the fair value of the award at the date of the closing of $177 ($217 CDN). The warrants expired on April 27, 2010 unexercised.

In connection with the April 27, 2009 share issuance, the Company granted the underwriters an over-allotment option to purchase up to an additional 750,000 Units, resulting in the issuance of an additional 750,000 Class A common shares for gross proceeds of $1,340 ($1,500 CDN) on May 26, 2009. The Company recorded additional commission and transaction fees of $80 ($83 CDN) related to this issuance.

c. Contributed surplus:

		December 31, 2010		December 31, 2009
Balance, beginning of period	$	6,882	$	4,590
Stock-based compensation related to stock options and warrants		1,350		2,115
Stock options issued to securities agent		110		177
Balance, end of period	$	8,342	$	6,882

d. Loss per share:

The calculation of the 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 the outstanding 3,844,800 stock options and 575,000 warrants could potentially dilute earnings.

e. Director's share compensation plan:

The Company has a director's share compensation plan allowing for the issuance of up to 200,000 shares of the Company's Class A common shares to non-employee directors of the Company as part of their annual compensation. At the Annual General and Special Meeting of the Shareholders on May 10, 2010, the amended share compensation plan was approved to increase the maximum number of Class A common shares of the Corporation issuable there under from 200,000 to 400,000 of the issued and outstanding Class A common shares of the Corporation. As of December 31, 2010, 115,872 Class A common shares remain available under the plan. Compensation expense for issued shares is included in sales, general and administrative expense.

f. Employee share compensation plan:

The Company established an employee share compensation plan to compensate employees for services performed. The plan was approved by the shareholders of the Company at the Annual General Meeting on May 12, 2009. The plan permits the issuance of up to 1,500,000 shares of the Company's Class A common shares to employees. As of December 31, 2010, 943,244 Class A common shares remain available for issuance under the plan. Compensation expense for issued shares is included in operating costs.

g. Stock option plan:

The Company established a stock 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, 2010, 6,079,651 Class A common shares were authorized under the plan, of which 575,000 warrants (See Note 12(i)) and 3,844,800 stock options are issued and outstanding and 2,159,851 options remain available for 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, with the first vesting occurring on the one-year anniversary of the date of the grant. Directors' options 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 stock options outstanding at December 31, 2010:

	December 31, 2010			December 31, 2009		
	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	**4,135,217**	**$**	**4.42**	3,232,086	$	5.25
Granted	**677,000**		**0.76**	1,149,800		1.97
Expired	**(337,942)**		**5.39**	(246,669)		3.96
Forfeitures	**(629,475)**		**2.64**	-		-
Options outstanding, end of period	**3,844,800**	**$**	**3.98**	4,135,217	$	4.42
Options exercisable, end of period	**2,686,275**	**$**	**4.93**	1,953,042	$	5.61

Exercise Price (CDN$)	Options outstanding	Weighted average remaining contractual life	Options exercisable
0.50	450,000	5.92 years	0
0.66	75,000	4.83 years	75,000
1.49	261,750	3.92 years	142,500
1.60	76,000	5.04 years	10,000
1.78	25,000	4.58 years	6,250
1.84	636,800	4.92 years	370,400
2.36	110,000	4.83 years	27,500
2.90	3,750	3.83 years	3,750
2.98	85,000	3.67 years	85,000
4.16	170,000	3.37 years	110,000
5.75	406,000	2.17 years	330,375
5.95	60,000	2.42 years	45,000
6.04	18,750	0.33 years	18,750
6.20	20,000	2.67 years	15,000
6.30	1,431,750	1.33 years	1,431,750
6.59	15,000	2.67 years	15,000
	3,844,800	3.16 years	2,686,275

For the twelve months ended December 31, 2010, 677,000 options (2009 – 1,149,800) were granted. The per share weighted-average fair value of the options granted during the twelve months ended December 31, 2010, was $0.48 (2009 – $1.23), determined using the Black-Scholes option pricing model on the date of grant with the following assumptions: expected dividend yield 0% (2009 – 0%), risk-free interest rate of ranging from 2.37% to 3.07% (2009 – 1.06% to 2.76%), volatilities ranging from 69.1% to 70.3% (2009 – 68.9% to 106.49%), and an expected life of five to six years (2009 – six years).

h. Non-cash compensation expense:

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

December 31,		**2010**		2009
Employees	**$**	**1,476**	$	2,115
Non-employees		**209**		132
Non-cash compensation	**$**	**1,685**	$	2,247

i. Class A common share purchase warrants:

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

	December 31, 2010	December 31, 2009
	(unaudited)	
Balance, beginning of year	**3,200,000**	75,000
Issued	**500,000**	3,150,000
Expired	**(3,125,000)**	(25,000)
Balance, end of year	**575,000**	3,200,000

Each warrant entitles its holder to one Class A common share upon payment of an exercise price ranging from \$0.80 CDN to \$7.75 CDN (2009 – \$1.90 CDN to \$7.75CDN), with a weighted average exercise price of \$1.45 CDN (2009 – \$2.99 CDN). The outstanding warrants expire as follows: 50,000 on February 22, 2011; 500,000 on July 6, 2011; and 25,000 on May 15, 2012. The per share fair value of the warrants issued during the 12 months ended December 31, 2010 was \$0.23 CDN (2009 – \$0.98 CDN) on the date of grant, determined using the Black-Sholes option pricing model with the following assumptions: expected dividend yield 0%, risk free interest rate of 2.41% (2009 – 1.06% to 2.76%), volatility of 70.2% (2009 – 68.9% to 106.4%), and an expected life of one year (2009 – one to six years).

j. Restricted Shares:

The Company is committed to the issuance of 450,000 restricted shares to key executives under terms subject to the Board of Directors approval. The instruments are expected to be issued in 2011.

13. Income taxes:

Future 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. The tax effects of temporary differences that give rise to significant portions of the future tax asset and future tax liability at December 31, 2010 and December 31, 2009 are as follows:

	December 31, 2010	December 31, 2009
Future tax asset:		
Tax effect of loss carryforwards	**\$ 40,081**	\$ 28,116
Tax effect of amounts deductible for tax purposes in excess of amounts deductible for accounting purposes	**18,403**	1,122
Tax effect of unrealized foreign exchange losses	**943**	943
Tax effect of scientific research expenditures	**1,601**	1,529
Future tax asset	**61,028**	31,710
Less valuation allowance	**(60,073)**	(27,369)
Net future tax asset	**955**	4,341
Future tax liability:		
Tax effect of amounts deductible for accounting purposes in excess of amounts deductible for tax purposes	**(1,043)**	(4,423)
Future tax liability	**(1,043)**	(4,423)
Net future tax liability	**\$ (88)**	\$ (82)

The differences in the amounts deductible for tax and accounting purposes relate primarily to differences in the values of property and equipment on these bases.

The recognition of intangible assets from an acquisition in 2007 resulted in a temporary difference between the assigned value for book purposes and the tax basis of the intangible assets. The carrying values of the intangible assets were grossed up, and a future tax liability of $505 was recorded to reflect this temporary difference. The future tax liability is utilized over a period of five years (consistent with the amortization of intangible assets) as future income tax recovery.

A valuation allowance is provided when it is more likely than not that some or all of the future tax asset will not be realized. The Company has established a valuation allowance for the future tax asset due to the uncertainty of future Company earnings.

At December 31, 2010 approximately $125,003 of loss carry forwards and $1,599 of tax credits were available in various jurisdictions. A summary of losses by year of expiry is as follows:

2014	$ 1,612
2015	2,808
2018	3,135
2020-2030	117,448
	$ 125,003

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,	**2010**	2009
Tax rate	**28.6%**	32.0%
Expected Canadian income tax (recovery) expense	**$ (27,680)**	$ (8,221)
Decrease resulting from:		
Change in valuation allowance	**32,746**	8,722
Change in Canadian statutory rate	**922**	2,020
Difference between Canadian statutory rate and those applicable to U.S. and other foreign subsidiaries	**(6,142)**	(861)
Security issuance costs	**(173)**	(269)
Non-deductible expenses and non-taxable income	**50**	465
Foreign exchange	**(20)**	(111)
Impact of US$ functional currency tax reporting election	**-**	(2,218)
Adjustment for prior years income tax matters	**360**	485
Expiry of tax losses	**-**	270
Other	**-**	(133)
	$ 63	$ 149

14. Commitments:

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

2011	$	1,168
2012		856
2013		974
2014		787
2015		554
2016		375
	$	4,714

15. Restructuring:

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

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

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

		Workforce Reduction		Excess Facility		Total
Amounts incurred in 2009	$	673	$	-	$	673
Amounts incurred in 2010		1,421		1,120		2,541
Total	$	2,094	$	1,120	$	3,214

At December 31, 2010, the accrued liability associated with the restructuring and other related charges consisted of the following:

		Workforce Reduction		Excess Facility		Total
Balance at December 31, 2009	$	442	$	-	$	442
Charges		1,421		1,120		2,541
Payments		(1,035)		(308)		(1,343)
Total liablity at December 31, 2010	$	828	$	812	$	1,640
Accrued liability		765		344		1,109
Other long-term liability		63		468		531

The workforce reduction accrual of $0.8 million will be paid in installments through September 2012. The excess facility accrual will be relieved by November 2013. Total restructuring related costs of $2,541 have been recorded in operating costs for the twelve months ended December 31, 2010 (year ended December 31, 2009 – $673).

The Company announced further workforce reductions in January 2011 and expects to incur $845 in related restructuring costs during the first quarter of 2011.

16. Segmented information:

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

Geographic segments of revenue are as follows:

Year Ended December 31,		Contract Services 2010		Data Licenses 2010		Contract Services 2009		Data Licenses 2009
United States of America	$	**2,352**	$	**1,853**	$	594	$	3,141
Asia/Pacific		**59**		**2,631**		17,293		3,385
Europe		**1,123**		**5,168**		783		3,638
Australia		**746**		**-**		1,473		-
	$	**4,280**	$	**9,652**	$	20,143	$	10,164

Property and equipment of the Company are located as follows:

December 31,		2010		2009
Canada	$	**748**	$	1,638
United States of America		**6,520**		10,686
Asia/Pacific		**418**		882
Europe		**80**		174
	$	**7,766**	$	13,380

The multi-client data library is located in the United States of America, the intangible assets are located in the Czech Republic, and the assets held for sale are located in the United States of America.

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

Year Ended December 31,		2010		2009
Customer A	$	**2,080**	$	-
Customer B		**1,752**		-
Customer C		**1,267**		37
Customer D		**1,120**		64
Customer E		**692**		16,572
	$	**6,911**	$	16,673

17. Fair values and financial risk management:

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, and liquidity risk. Management, the Board of Directors, and the Audit Committee monitor risk management activities and review the adequacy of such activities.

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 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, 2010 and December 31, 2009 are composed of:

December 31,		**2010**		2009
Trade amounts receivable	**$**	**3,991**	$	11,982
Employee receivables		**23**		51
Other miscellaneous receivables		**142**		237
	$	**4,156**	$	12,270

Trade amounts receivable by geography are composed of:

December 31,		**2010**		2009
United States of America	**$**	**166**	$	8,863
Asia/Pacific		**2,284**		2,550
Europe		**1,541**		569
	$	**3,991**	$	11,982

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

December 31,		**2010**		2009
Current	**$**	**1,968**	$	9,068
31-60 days		**768**		417
61-90 days		**73**		1,208
Over 91 days		**1,182**		1,289
	$	**3,991**	$	11,982

As of December 31, 2010, $1,255 of trade amounts receivable (2009 - $2,497) were past due of which $277 was deemed uncollectible and fully reserved.

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. At December 31, 2010, the Company's cash and cash equivalents include $3,750 of money market investments in short-term treasury bills with a United States bank (year ended December 31, 2009 – $5,441). The remaining balance at December 31, 2010 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, 2010 are as follows:

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

The balances in foreign currencies at December 31, 2009 are as follows:

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

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

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, 2010 and 2009, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the United States dollar against the following currencies would result in an increase / (decrease) in net earnings by the amounts shown below:

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

December 31, 2009 (in USD)	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna	Australian Dollar
United States dollar:						
Depreciates 10%	$ 57	$ (185)	$ (5)	$ 11	$ (10)	$ (122)
Appreciates 10%	(57)	185	5	(11)	10	122

ii. Interest rate risk

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

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

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

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

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due.

The Company manages its liquidity risk by evaluating working capital availability and forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2010, the Company has a cash and cash equivalent balance of $4,356 (year ended December 31, 2009 – $10,355) and working capital of negative $3,350 (year ended December 31, 2009 – $18,091). All of the Company's financial liabilities, other than the promissory note included with accounts payable and accrued liabilities, long-term debt and obligations under capital lease, have a contractual maturity of less than 45 days.

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

	Payment due:				
	In less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Accounts payable and accrued liabilities	$ 4,518	$ 1,434	$ -	$ -	$ -
Obliations under capital leases	52	52	60	31	13
Long-term debt	147	147	293	586	98
Other long-term liabilities	-	-	-	313	218
	$ 4,717	$ 1,633	$ 353	$ 930	$ 329

Th

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as of December 31, 2009:

	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	$ 5,916	$ -	$ -	$ -	$ -
Obliations under capital leases	80	63	94	132	-
Long-term debt	278	278	948	555	647
	$ 6,274	$ 341	$ 1,042	$ 687	$ 647

d. Fair values

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

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

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

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

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

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

There are no financial instruments measured at fair value other than cash which is classified as Level 1. During the year, there have been no transfers of amounts between any categories. There are no items classified in Level 2 or Level 3 as of December 31, 2010.

18. Capital risk management:

The Company's objectives when managing capital are to safeguard its assets while at the same time maintaining investor, creditor, and market confidence, and to sustain future development of the business.

The Company includes shareholders' equity and long-term debt in the definition of capital. 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.

19. Presentation:

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation for 2010.

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Stock Exchange

Intermap stock is listed on the Toronto stock exchange under the symbol "IMP."

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David Cunningham
Senior Vice President, Sales & Marketing

Keith Tennant
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