2018

ANNUAL REPORT

Intermap Technologies Corporation

INTERMAP®

Corporate Information

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BOARD OF DIRECTORS

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Director
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Director and Corporate Secretary
Westfield, New Jersey, USA

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

TRANSFER AGENT

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Calgary, Alberta T2P 3S8
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AUDITORS

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Suite 1800
Ottawa, ON K2P 2P8
Canada

STOCK EXCHANGE

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

OFFICERS AND KEY PERSONNEL

Patrick A. Blott
Chairman and CEO

Jennifer S. Bakken
Exceutive Vice President and CFO

Management's Discussion and Analysis

For the year ended December 31, 2018

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 28, 2019 and should be read together with the Company's audited Consolidated Financial Statements and the accompanying notes for the years ended December 31, 2018 and 2017. The results reported herein have been prepared in accordance with International Financial Reporting Standards (IFRS) and, unless otherwise noted, are expressed in United States dollars.

These audited consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the statements of financial position.

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

FORWARD-LOOKING STATEMENTS

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

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

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

BUSINESS OVERVIEW

Intermap is a global geospatial information company, creating a wide variety of geospatial solutions and analytics for its customers. Intermap is a premier worldwide provider of geospatial data solutions.

Intermap currently generates revenue from three primary business activities, comprised of i) data acquisition and collection, using proprietary radar sensor technologies, ii) value-added data products and services, which leverage the Company's proprietary NEXTMap® database, together with proprietary software and fusion technologies, and iii) commercial applications and solutions, including a webstore and software sales targeting selected industry verticals that rely on accurate high resolution elevation data.

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

Intermap has the ability to create its own digital 3D geospatial data using its proprietary multi-frequency radar mounted in Learjet aircraft. Intermap's radar-based technology allows it to collect data at any time of the day, including under conditions such as cloud and tree cover, or darkness, which are conditions that limit most competitive technologies. The Company's proprietary radar also enables data to be collected over larger areas, at higher collection speeds, and at accuracy levels that are difficult to achieve with competitive technologies.

In addition to data collection, the Company is a world leader in data fusion, analytics, and orthorectification, and has decades of experience aggregating data derived from a number of different sensor technologies and data sources. The Company processes raw digital elevation and image data from its own and other sources to create three high resolution geospatial datasets that provide a ground-true foundation layer upon which accurate value-added products and services can be developed. The three high resolution data sets include digital surface models (DSM), digital terrain models (DTM), and orthorectified radar images (ORI). These datasets are further augmented with additional elevation and resolution data layers and served to customers by web service to create other value-added products, such as viewsheds, line of sight maps, and orthorectified mosaic tiles.

Unlike many geospatial companies, because of its unique acquisition and processing capability, Intermap retains exclusive ownership of its high resolution NEXTMap® database, which covers the entire globe. Intermap's NEXTMap database, together with third party data and our in-house analytics team, provide a variety of applications and geospatial solutions for its customers. The NEXTMap database contains a fusion of proprietary multi-frequency radar imagery and data, including unique Interferometric Synthetic Aperture Radar (IFSAR)-derived data, proprietary data models, and purchased third-party data, collected from multiple commodity sensor technologies, such as light detection and ranging (LiDAR), photogrammetry, satellite, and other available sources. The NEXTMap database also includes proprietary information developed by our analytical teams such as 3D city models, census data, real-time traffic, 3D road vectors, outdoor advertising assets, weather related hazards, points of interest, cellular towers, flood models and wildfire models.

The Company generates revenue by licensing its geospatial products using its proprietary data, analytics, and applications for specific industries.

FINANCIAL INFORMATION

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

Selected Annual Information

U.S. $ millions, except per share data		**2018**		2017		2016
Revenue:						
Acquisition services	**$**	**8.7**	$	14.9	$	3.5
Value-added data		**4.7**		2.8		2.2
Software and solutions		**2.4**		1.6		1.3
Total revenue	**$**	**15.8**	$	19.3	$	7.0
Operating (loss) income	**$**	**(0.1)**	$	1.3	$	(9.5)
Change in fair value of derivative instruments	**$**	**-**	$	0.1	$	1.9
Financing costs	**$**	**(2.7)**	$	(2.5)	$	(10.1)
Net loss	**$**	**(2.8)**	$	(1.2)	$	(15.3)
EPS basic and diluted (1)	**$**	**(0.17)**	$	(0.08)	$	(1.33)
Adjusted EBITDA	**$**	**2.1**	$	3.5	$	(7.2)
Assets:						
Cash, amounts receivable, unbilled revenue	**$**	**4.9**	$	6.9	$	7.2
Total assets	**$**	**9.8**	$	11.8	$	9.0
Liabilities:						
Long-term liabilities (including finance lease obligations)	**$**	**29.3**	$	26.8	$	22.2
Total liabilities	**$**	**34.2**	$	33.8	$	33.6

(1) Amounts have been adjusted following the rights offering and share consolidation that occurred during 2017.

Revenue

Consolidated revenue for the year ended December 31, 2018 totaled $15.8 million, compared to $19.3 million for 2017, representing an 18% decrease. Approximately 33% of consolidated revenue was generated outside the United States, compared to 65% for 2017.

Acquisition services revenue for the year ended December 31, 2018 totaled $8.7 million, compared to $14.9 million for 2017. The decrease is due to a change in government control resulting in a reset procurement process for a single international government customer impacting the follow-on project from 2017 to 2018.

Value-added data revenue for the year ended December 31, 2018 was $4.7 million, a 68% increase from $2.8 million in 2017. The increase primarily resulted from one $1.8 million contract to deliver high-resolution terrain data to an international government customer.

Software and solutions revenue increased for the year ended December 31, 2018 to $2.4 million from $1.6 million for 2017. The growth is consistent with management expectations for adding subscriptions and achieving positive renewal rates from existing customers.

Classification of Operating Costs

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

U.S. $ millions		**2018**		2017
Personnel	**$**	**8.2**	$	8.5
Purchased services & materials		**3.8**		5.4
Facilities and other expenses		**1.6**		2.3
Travel		**0.5**		0.6
	$	**14.1**	$	16.8

Personnel

Personnel expense includes direct labor, employee compensation, employee benefits, and commissions. Personnel expense for the years ended December 31, 2018 and 2017, totaled $8.2 million and $8.5 million, respectively. The 4% year-over-year decrease in personnel expense is primarily due to personnel restructuring activities offset by the mix of talent and key resources.

During 2018, the Company notified certain individual employees of its intent to discontinue their employment. The Company incurred $0.5 million (December 31, 2017 - $0.2 million) in restructuring charges from these reductions.

Non-cash compensation expense is included in operating costs and relates to the Company's omnibus incentive plan, share options, and shares granted to employees and non-employees. Non-cash share-based compensation for the years ended December 31, 2018 and 2017, increased slightly to $0.4 million from $0.3 million, respectively.

Purchased Services and Materials

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

For the years ended December 31, 2018 and 2017, PS&M expense was $3.8 million and $5.4 million, respectively. The decrease was partially due to decreased expenses on acquisition projects.

Facilities and Other Expenses

For the years ended December 31, 2018 and 2017, facilities and other expenses were $1.6 million and $2.3 million, respectively. The decrease was due to non-recurring payments during the first quarter of 2017 associated with the 2017 restructuring efforts without similar payments in 2018.

Travel

For the years ended December 31, 2018 and 2017, travel expense was $0.5 million and $0.6 million, respectively. The decrease was due to decreased travel on acquisition services projects.

Adjusted EBITDA

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

U.S. $ millions	**2018**	2017
Net loss	**$ (2.8)**	$ (1.2)
Financing costs	**2.7**	2.5
Income tax recovery	**-**	(0.1)
Depreciation of property and equipment	**1.3**	0.9
EBITDA	**$ 1.2**	$ 2.1
Share-based compensation	**0.4**	0.3
Restructuring costs	**0.5**	0.2
Loss on foreign currency translation	**-**	0.2
Non-recurring payments	**-**	0.8
Change in value of derivative instruments	**-**	(0.1)
Adjusted EBITDA	**$ 2.1**	$ 3.5

Adjusted EBITDA for the year ended December 31, 2018 was $2.1 million, compared $3.5 million for 2017. The decrease in adjusted EBITDA is primarily attributable to a decrease in revenue.

Financing Costs

Financing costs for the year ended December 31, 2018 totaled $2.7 million, compared to $2.5 million for 2017. Financing costs are non-cash and relate mostly to the accretion of the notes payable interest using the effective interest method. The notes mature on September 1, 2020.

Depreciation of Property and Equipment

Depreciation expense for the years ended December 31, 2018 was $1.3 million and $0.9 million, respectively. The increase was due to placing the upgraded radar system into service during the third quarter of 2017.

Derivative Instruments

The Company has issued non-broker warrants that are considered to be derivative liabilities as the warrants are exercisable in a currency (Canadian dollar) other than the Company's functional currency (United States dollar). Accordingly, the warrants are measured at fair value at each reporting date, with changes in fair value included in the consolidated statement of profit and loss and other comprehensive income for the applicable reporting period. During the years ended December 31, 2018 and 2017, the change in the fair value of derivative instruments was $Nil and a gain of $0.1 million, respectively. See Selected Quarterly Information for the change recognized each reporting period.

Gain (Loss) on Foreign Currency Translation

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

During the year ended December 31, 2018, a foreign currency translation loss of $27 thousand was recorded, compared to a loss of $214 thousand in 2017.

Trade Receivables and Unbilled Revenue

Work is performed on contracts that provide invoicing upon the completion of identified contract milestones. Revenue on certain of these acquisition services 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 align payments on contracts with work performed, the completion of milestones does not always coincide with the costs incurred on a contract, resulting in revenue being recognized in excess of billings. These amounts are recorded in the consolidated balance sheets as unbilled revenue.

Trade receivables and unbilled revenue increased from $0.6 million at December 31, 2017, to $3.6 million at December 31, 2018. Trade receivables due in the current period represent 95% and 66% of total trade receivables at December 31, 2018 and 2017, respectively. Trade receivables aged greater than 90 days relate to historically slow paying, but reliable customers. The Company reviews the trade receivables aging monthly and monitors the payment status of each invoice. The Company also communicates with slow paying or delinquent customers on a regular basis regarding the schedule of future payments. At December 31, 2018 and 2017, $Nil has been reserved as uncollectible as all trade receivable balances greater than 90 days are considered to be collectible.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities generally include trade payables, project-related accruals and personnel-related costs. Accounts payable and accrued liabilities decreased to $2.8 million at December 31, 2018, from $4.0 million at December 31, 2017.

U.S. $ millions		**December 31, 2018**		December 31, 2017
Accounts payable	$	1.1	$	1.9
Accrued liablities		1.7		2.1
	$	2.8	$	4.0

The accounts payable balance decreased from $1.9 million at December 31, 2017 to $1.1 million at December 31, 2018 due to the timing of trade payables and the expiration of vendor payables recorded in prior periods. The accrued liabilities balance decreased from $2.1 million at December 31, 2017 to $1.7 million at December 31, 2018. The decrease is due to unbilled costs associated with the radar system upgrade at December 31, 2017 being paid during the first quarter of 2018.

Notes Payable

The increase in the notes payable balance from December 31, 2017 of $26.5 million to $29.1 million at December 31, 2018 is purely due to the accretion of the non-cash interest on the two notes outstanding.

The notes payable balance of $26.5 million at December 31, 2017 reflects the debt restructuring that occurred during the fourth quarter of 2016 and the first quarter of 2017 as follows:

- During the fourth quarter of 2016, the Company restructured the outstanding notes (July 8, 2016 note for $2.0 million and September 15, 2016 note for $25.8 million), which resulted in the extension of the maturity date to September 1, 2020 and the elimination of the interest. The restructuring also included the elimination of a 17.5% royalty agreement. The note is secured by a first priority lien on all the assets of the Company. The fair value of the notes at December 31, 2017 reflected in the balance sheet is $24.0 million and is subject to prepayment provisions if the Company builds excess cash; if the Company's aggregate cash and cash equivalents balance exceeds $10.0 million at the end of any calendar quarter, 50% of the balance greater than $10.0 million must be applied to reduce debt against the outstanding notes payable.
- During the first quarter of 2017, $2.9 million of proceeds from a Rights Offering was used to partially repay a $6.0 million Bridge Loan, received on December 14, 2016. The balance of the Bridge Loan was converted into a non-interest bearing note payable due September 1, 2020. The fair value of the note payable at December 31, 2017 was $2.5 million, following the recognition of a $0.7 million gain on the modification of the Bridge Loan, which was credited to contributed surplus. Additionally, the note is secured by a first priority lien on all assets of the Company and is subject to the same prepayment provisions as the Company's other debt, should the Company build excess cash; if the Company's aggregate cash and cash equivalents balance exceeds $10.0 million at the end of any calendar quarter, 50% of the balance greater than $10.0 million must be pre-paid against the outstanding notes payable. (See Note 8(a) to the Consolidated Financial Statements for further discussion of the terms of the notes and Rights Offering).

Project Financing

The project financing balance at December 31, 2018 increased slightly to $1.6 million from $1.5 million at December 31, 2017. The increase is due to accrued interest.

Unearned Revenue and Deposits

The unearned revenue balance at December 31, 2018 decreased to $0.6 million from $1.6 million at December 31, 2017. This balance consists of payments received from customers for contracts that are in progress and have not yet fulfilled the necessary revenue recognition criteria. At December 31, 2018 and December 31, 2017 83% and 32% of the total balance, respectively, is related to software and solutions license revenue, in which the license fee is paid upfront for the term of the license.

QUARTERLY FINANCIAL INFORMATION

Selected Quarterly Information

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

U.S. $ millions, except per share data	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	**Q4 2018**
Total revenue	$ 2.6	$ 4.5	$ 6.3	$ 5.9	$ 3.4	$ 4.5	$ 3.7	**$ 4.2**
Depreciation	$ 0.2	$ 0.1	$ 0.3	$ 0.3	$ 0.3	$ 0.3	$ 0.4	**$ 0.3**
Financing costs	$ 0.7	$ 0.6	$ 0.6	$ 0.6	$ 0.6	$ 0.7	$ 0.6	**$ 0.8**
Change in fair value of derivative intruments	$ (0.1)	$ -	$ -	$ -	$ -	$ -	$ -	**$ -**
Operating income (loss)	$ (1.5)	$ (0.2)	$ 1.8	$ 1.2	$ -	$ 0.3	$ (0.5)	**$ 0.1**
Net income (loss)	$ (1.9)	$ (0.9)	$ 1.1	$ 0.5	$ (0.6)	$ (0.4)	$ (1.2)	**$ (0.6)**
Net income (loss) per share - basic and diluted [1]	$ (0.13)	$ (0.06)	$ 0.07	$ 0.04	$ (0.04)	$ (0.02)	$ (0.07)	**$ (0.04)**
Adjusted EBITDA	$ (0.8)	$ 0.3	$ 2.1	$ 1.9	$ 0.4	$ 0.9	$ 0.4	**$ 0.4**

(1) Amounts have been adjusted following the rights offering and share consolidation that occurred during 2017.

Revenue

Consolidated revenue for the fourth quarter of 2018 totaled $4.2 million, compared to $5.9 million for the same period in 2017, representing a 29% decrease. Approximately 66% of consolidated revenue was generated outside the United States during the fourth quarter of 2018, compared to 79% for the same period in 2017.

Acquisition services revenue for the quarter ended December 31, 2018 totaled $1.0 million, compared to $4.6 million for the same period in 2017. Consistent with the annual results, the difference is due to the change in government control resulting in a reset procurement process for a single international government customer impacting the follow-on project from 2017 to 2018.

Value-added data revenue for the quarter ended December 31, 2018 was $2.5 million, an increase from the same period in 2017 which totaled $0.8 million. The increase primarily resulted from the $1.8 million contract to deliver high-resolution terrain data to an international government customer.

Software and solutions revenue increased for the quarter ended December 31, 2018 to $0.7 million from $0.5 million for the same period in 2017. Again, the growth is consistent with management expectations for adding subscriptions and achieving positive renewal rates from existing customers.

Personnel

Personnel expense for the three-month periods ended December 31, 2018 and 2017, totaled $2.2 million and $2.5 million, respectively. The decrease in personnel expense is primarily due to the decrease in headcount offset by the mix of talent and key resources.

Non-cash share-based compensation for the quarters ended December 31, 2018 and 2017, increased slightly to $35 thousand from $15 thousand, respectively.

Purchased Services and Materials

For the three-month periods ended December 31, 2018 and 2017, PS&M expense was $1.1 million and $1.2 million, respectively.

Facilities and Other Expenses

For the three-month periods ended December 31, 2018 and 2017, facilities and other expenses were $0.6 million and $0.5 million, respectively.

Travel

For the quarters ended December 31, 2018 and 2017, travel expense was $48 thousand and $98 thousand, respectively. The decrease was due to decreased travel on acquisition services projects.

CONTRACTUAL OBLIGATIONS

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

		Payments due by Period (US $ thousands)			
Contractual obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating leases	$ 655	$ 429	$ 226	$ -	$ -
Notes payable	33,914	-	33,914	-	-
Project financing	1,588	1,411	177	-	-
Finance leases	14	11	3	-	-
Total	$ 36,171	$ 1,851	$ 34,320	$ -	$ -

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 trade receivables, unbilled receivables, accounts payable, accrued liabilities and unearned revenue and deposits; (ii) investing activities, including the purchase of property and equipment; and (iii) financing activities, including debt financing and the issuance of capital stock.

During the year ended December 31, 2018, the Company generated operating loss of $0.1 million and achieved positive adjusted EBITDA of $2.1 million. Revenue for the year ended December 31, 2018 was $15.8 million, which represents a $3.5 million decrease in revenue from 2017, and the Company had negative cash flow from operations of $3.9 million. At December 31, 2018, the Company has a shareholders' deficiency of $24.4 million that was generated by current and prior years' accumulated losses.

Cash used in operations during the year ended December 31, 2018 totaled $3.9 million, compared to cash provided by operations of $3.5 million during 2017. The year-over-year increase in cash used of $7.4 million is due primarily to the decrease in accounts payable and accrued liabilities and unearned revenue along with a decrease in revenue year-over-year.

Net cash used in investing activities totaled $1.2 million for the year ended December 31, 2018, compared to $3.5 million during 2017. Net cash used in investing activities for both periods related to the purchase of computer related equipment and radar system upgrades. The cash used in investing activities for 2018 also includes capitalization of labor and materials to build the data library, processing capabilities, and software assets.

Net cash used in financing activities totaled $12 thousand for the year ended December 31, 2018 compared to $220 thousand during 2017. The net cash used during the year ended December 31, 2018 resulted from the repayment of finance leases of $12 thousand. The net cash used during the year ended December 31, 2017 resulted from $164 thousand of issuance costs and the repayment of finance leases of $56 thousand.

The Company is dependent upon its cash flow from operations to fund its business as it currently has $33.9 million in outstanding secured long-term debt, no line of credit or credit facility, access to equity capital markets is severely constrained and the current share price is significantly depressed. The cash position of the Company at December 31, 2018 was $1.3 million, compared to $6.4 million at December 31, 2017. Over the past two years, the Company has undertaken a significant reduction in staff and realigning of the mix of talent and key resources, as well as overall reductions in operating costs.

The above factors in the aggregate indicate there are material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to successfully secure sales with upfront payments, restructure the balance sheet (including a reduction of debt) and obtain additional financing. Failure to achieve one or more of these requirements could have a materially adverse effect on the Company's financial condition and / or results of operations. The Board of Directors and management have taken actions to address these issues including retaining a financial advisor as well as a strategic consultant to explore strategic alternatives. Such alternatives could include, a sale of the Company, a sale of assets, a business combination or continuing as a standalone entity under a new capital structure. The Board of Directors has been informed by Vertex One Asset Management ("Vertex"), the Company's only first lien secured creditor and its largest shareholder, of its general preference for liquidity at this time. Vertex has provided financial support to the Company for the past six years. There can be no assurance that the consideration of strategic alternatives will result in the completion of any transaction or any other alternative. The Company may not be able to meet its future obligations if it is unable to complete a strategic alternative transaction or secure additional capital.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue is recognized when a customer obtains control of the good or services. Determining the timing of the transfer of control, at a point in time or overtime, requires judgement.

Acquisition Service Contracts
Revenue from acquisition service contracts is recognized overtime based on the ratio of costs incurred to estimated final contract costs. The use of this method of measuring progress towards complete satisfaction of the performance obligations 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. Invoices are issued according to contractual terms and are usually payable within 30 days. Revenue recognized in advance of billings are presented as unbilled revenue.

Data Licenses
Revenue from the sale of data licenses in the ordinary course of business is measured at the fair value of the consideration received or receivable. Customers obtain control of data products upon receipt of a physical hard drive or download of the data from a web link provided. Invoices are generated, and revenue is recognized at that point in time. Invoices are generally paid within 30 days.

Software Subscriptions
Software subscriptions are generally one year or less, with invoices issued and paid at the beginning of the license term. Revenue is recognized overtime, and payments for future months of service are recognized in unearned revenue. While the license agreements are for a fixed term, some agreements also contain a limited number of clicks or uses. If the limit is reached prior to the end of the term, the license ends early.

Data Library (NEXTMap)

The Company maintains a data library, which is the result of the acquisition and processing of digital map data. Ownership rights to this data are typically retained by the Company and the data is licensed to customers. Although the carrying value of the data library at December 31, 2018 is $Nil, management believes the asset generates significant value to the Company and the solutions it provides. In accordance with IFRS, the Company will review each reporting period for indications that an adjustment to the carrying value may be necessary.

Use of estimates

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

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

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

Trade receivables
The Company uses historical trends and performs specific account assessments when determining the expected credit losses. These accounting estimates are in respect to the trade receivables line item in the Company's consolidated balance sheet. At December 31, 2018, trade receivables represented 33% of total assets.

The estimate of the Company's expected credit losses could change from period to period due to the allowance being a function of the balance and composition of trade receivables. At December 31, 2018, the expected credit losses of trade receivables were $Nil due to less than 1% of the aged trade receivables over 61 days was past due.

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

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

Derivative financial instruments
The Company has determined that its functional currency is the United States dollar and has issued (i) non-broker warrants, and (ii) debt with a conversion option denominated in a currency other than its functional currency. The Company measures the cost of the derivative financial instruments by reference to the fair value of the instruments at the date at which they are granted and revalues them at each reporting date. In determining the fair value of the non-broker warrants, the Company used the Black-Scholes option pricing model with the following assumptions: average volatility rate; market price at the reporting date; risk-free interest rate; the remaining expected life of the warrant; and an exchange rate at the reporting date. The inputs used in the Black-Scholes model are taken from observable markets. Any impact reported has no net effect on cash flows or the operating results of the Company.

Provisions
A provision is recognized, if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the future settlement were to adversely differ from management's expectations, the Company could incur either an additional expense or reversal of the expense previously recorded.

Compound financial instruments

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

Notes Payable

The Company has issued long-term promissory notes with no stated interest obligation. The valuation and accounting for the zero-interest notes is complex and requires the application of management estimates and judgments with respect to the determination of appropriate valuation method applied on initial recognition. The assumptions and models used for estimating fair value of the note transactions are disclosed in Note 8(a) to the Consolidated Financial Statements.

Revenue

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

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Company adopted the following new accounting standards and amendments which are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2018.

IFRS 9, Financial Instruments

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

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument is assessed for classification.

The following table summarizes the classification and measurement changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018:

	IAS 39		IFRS 9	
Financial instrument	Category	Measurement	Category	Measurement
Cash	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Trade receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Unbilled revenue	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Obligations under finance leases	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Notes payable	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Other long-term liabilities	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The financial assets at amortized cost consist of cash and trade receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure expected credit losses for trade receivables as an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and then estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and forward-looking information.

The Company considers a financial asset to be in default when the customer is highly unlikely to pay its obligation in full.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. The standard also provides guidance relating to recognition of customer acquisition costs.

The Company has adopted this standard on the required effective date of January 1, 2018, using the modified retrospective approach. The Company is providing expanded disclosures related to the nature, amount and timing of the revenue (see Notes 10 and 16). In addition, the Company has elected to make use of the following practical expedients:

- IFRS 15 is only applied to revenue contracts that are not completed as the date of applying the standard of January 1, 2018; and
- The Company will expense sales commission costs when incurred if the amortization period is less than 12 months.

Under IFRS 15, revenue is recognized when a customer obtains control of the good or services. Determining the timing of the transfer of control, at a point in time or overtime, requires judgement. IFRS 15 did not have a significant impact on the Company's accounting policies. See Critical Policies and Estimates for the revenue recognition policy.

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

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

IFRS 16, Leases

In January 2016, the International Accounting Standards Board issued IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize right-of use-assets and lease liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance The Company is reviewing its leases to evaluate the impact of the standard. The Company will adopt the standard, effective January 1, 2019, using the modified retrospective method, in which the cumulative effect of adoption will be recognized as an adjustment to the opening balance of retained earnings. Prior year period amounts will not be adjusted. While the assessment of the impact is still being determined and the Company is not currently in a position to reliably quantify the full impact of IFRS 16 on the consolidated financial statements, the Company expects the adoption of this standard to increase assets and liabilities as it will be required to record a right-of-use asset and a corresponding liability in the consolidated financial statements. The Company also expects an impact from the reclassification of lease expense from operating to depreciation and interest expense. There will be no impact on cash flows, however, cash flows from operating activities will increase as payments are reclassified to cash flows from investing activities.

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 29, 2019, 17,268,472 Class A common shares were issued and outstanding. There are no preferred shares currently issued and outstanding.

As of March 29, 2019, potential dilutive securities include (i) 1,220,243 outstanding share options with a weighted average exercise price of C$0.91, (ii) 410,400 restricted share units, and (iii) 546,456 warrants outstanding with a weighted average exercise price of USD$0.70. Each option and warrant entitles the holder to purchase one Class A common share. The warrants are currently being held by current Directors of the Company, which expire on September 1, 2020.

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

Internal Control over Financial Reporting

The Company's Chairman and Chief Executive Officer and the Company's Chief Financial Officer have designed, or have caused to be designed under their supervision, internal control over financial reporting as defined under National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's Chairman and Chief Executive Officer and the Company's Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's internal control over financial reporting and have determined, based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (2013) and on this evaluation, that such internal controls over financial reporting were effective at December 31, 2018.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the design of internal control over financial reporting that occurred during the year ended December 31, 2018 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure Controls and Procedures

The Company's Chairman and Chief Executive Officer and the Company's Chief Financial Officer have designed, or have caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information relating to the Company has been made known to them and that information required to be disclosed in the Company's annual filings, interim filings or other reports filed by it or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified by applicable securities legislation. The Company's Chairman and Chief Executive Officer and the Company's Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company's disclosure controls and procedures and have determined, based on that evaluation, that such disclosure controls and procedures were effective at December 31, 2018.

RISKS AND UNCERTAINTIES

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

Availability of Capital

Cash generated from its operations may not be sufficient to satisfy its current liquidity requirements and will not be sufficient to discharge the outstanding notes when due. As such, the Company will require additional capital. The extent of the Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and services, demand for geospatial related products and service, and competition within this industry. 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.

Revenue Fluctuations

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

Nature of Government Contracts

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

Project Finance Facilities

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

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. If deemed necessary, the Company could secure export credit insurance on certain of its international receivables, which greatly reduces the commercial and political risks of operating outside of North America but involves additional cost for the Company.

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 2018, the Company had two key customers that accounted for 67% of total revenue. During 2017, 77% of the revenue was attributable to two key customers. To the extent that significant customers cancel or delay orders, Intermap's revenue, earnings, and cash flow could be materially and adversely affected.

Executive Talent

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

Competing Technologies

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

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

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

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

Common Share Price Volatility

The market price of the Company's common shares has fluctuated widely in recent periods and is likely to continue to be volatile. A number of factors can affect the market price of Intermap's common stock including (i) actual or anticipated variations in operating results, (ii) the 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 geospatial 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, (x) changes in economic or political conditions (xi) the selling of significant holdings by large investors, (xii) the financing terms of existing large debt holders of the Company, and (xiii) the Company's ability to meet the continued listing requirements of the Toronto Stock Exchange to maintain the listing of its common shares.

Loss of Proprietary Information

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

Software Functionality

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

Internet and System Infrastructure Functionality

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

Information Technology Security

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

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

Cybersecurity

The Company's software applications and geospatial database are dependent upon protection against damage or loss that may be caused by a cyberattack. Loss or theft of the Company's geospatial database could result in lost revenue or the ability of a competitor to provide competing software solutions. A hostile Denial of Service (DoS) action could disrupt the Company's software services. Such a disruption could impact the Company's reputation and cause it to lose customers, revenue, face litigation, or necessitate customer service/repair work that would involve substantial costs and could ultimately have a material impact on the Company.

Intermap has invested in database management, information technology security, and firewalls to mitigate the risk of loss or theft of the Company's data. Further investments have been made to prevent DoS activities, including the use of Microsoft's Azure environment and the security it offers, and improvements to the software services' defenses against such attacks.

The Company undertakes periodic reviews of its information technology infrastructure and security policies using the SANS CIS Critical Security Controls as a framework. The areas of focus for review pertain to user and system authentication and access; internal network configuration and security; data storage resiliency and security; and hosted application access security. These periodic reviews serve to proactively shore up areas of vulnerability and ensure policies are effective and enforced. However, the risk cannot be eliminated entirely, and the Company has invested in insurance to mitigate loss in the event of a cyberattack.

Breakdown of Strategic Alliances

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

Exporting Products – Political Considerations

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

Foreign Operations

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

Environmental Regulation

Changes in environmental regulation could have an adverse effect on the Company's airborne data acquisition services business. For example, requirements for cleaner burning aircraft fuel could result in increased costs which could impact the Company's pricing model for acquisition services projects. The complexity and breadth of environmental and climate change related issues make it extremely difficult to predict the potential impact on the Company. Compliance with environmental regulation can be costly, and non-compliance can result in fines, penalties and loss of licenses.

Political Instability

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

Regulatory Approvals

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

Aircraft / Radar Lost or Damaged

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

Global Positioning System (GPS) Failure

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

Information Openly Available to the Public

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

Force Majeure

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

Additional Information

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

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Management's Report

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

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

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

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

Jennifer S. Bakken
Executive Vice President and
Chief Financial Officer

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Independent Auditors' Report

TO THE SHAREHOLDERS OF INTERMAP TECHNOLOGIES CORPORATION

Opinion

We have audited the consolidated financial statements of Intermap Technologies Corporation (the Entity), which comprise:

- the consolidated balance sheets as at December 31, 2018 and December 31, 2017
- the consolidated statements of profit and loss and other comprehensive income for the years then ended
- the consolidated statements of changes in shareholders' deficiency for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2(a) in the financial statements, which indicates that Intermap Technologies Corporation has incurred losses in current and prior years, negative cash flows from operations in the current year and has a shareholders' deficiency at December 31, 2018.

As stated in Note 2(a) in the financial statements, these events or conditions, along with other matters as set forth in Note 2(a) in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditors' report is Andrew Watson.

Ottawa, Canada

March 28, 2019

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Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(In thousands of United States dollars)

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash	**$ 1,284**	$ 6,363
Trade receivables	**3,221**	521
Unbilled revenue	**421**	65
Prepaid expenses	**567**	359
	5,493	7,308
Property and equipment (Note 6)	**4,311**	4,460
	$ 9,804	$ 11,768
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities (Note 7)	**$ 2,836**	$ 4,011
Current portion of project financing (Note 8(b))	**1,411**	1,303
Current portion of deferred lease inducements	**32**	30
Unearned revenue (Note 10)	**626**	1,604
Income taxes payable	**1**	2
Obligations under finance leases (Note 9)	**11**	10
	4,917	6,960
Long-term notes payable (Note 8(a))	**29,065**	26,496
Long-term project financing (Note 8(b))	**177**	191
Deferred lease inducements	**64**	120
Obligations under finance leases (Note 9)	**3**	14
	34,226	33,781
Shareholders' deficiency:		
Share capital (Note 12(b))	**199,917**	199,634
Accumulated other comprehensive loss	**(154)**	(143)
Contributed surplus (Note 12(c))	**25,379**	25,242
Deficit	**(249,564)**	(246,746)
	(24,422)	(22,013)
Commitments (Note 15)		
	$ 9,804	$ 11,768

Going concern (Note 2(a))

See accompanying notes to consolidated financial statements.

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

Patrick A. Blott
Chairman and CEO

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

Andrew P. Hines
Director and Corporate Secretary

CONSOLIDATED STATEMENTS OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

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

For the years ended December 31,		**2018**		2017
Revenue (Note 10)	**$**	**15,820**	$	19,304
Expenses:				
Operating costs (Note 11(a))		**14,119**		16,828
Restructuring costs (Note 11(b))		**478**		244
Depreciation of property and equipment		**1,339**		924
		15,936		17,996
Operating (loss) income		**(116)**		1,308
Gain on disposal of equipment		**7**		3
Financing costs (Note 11(c))		**(2,679)**		(2,538)
Loss on foreign currency translation		**(24)**		(214)
Change in fair value of derivative instruments		**-**		137
Loss before income taxes		**(2,812)**		(1,304)
Income tax expense (Note 14):				
Current		**(6)**		(51)
Deferred		**-**		200
		(6)		149
Net loss for the period	**$**	**(2,818)**	$	(1,155)
Other comprehensive (loss) income:				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign currency translation differences		**(11)**		3
Comprehensive loss for the period	**$**	**(2,829)**	$	(1,152)
Basic and diluted loss per share	**$**	**(0.17)**	$	(0.08)
Weighted average number of Class A common shares - basic and diluted (Note 12(d))		**16,840,744**		15,182,474

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY

(In thousands of United States dollars)

	Share Capital	Contributed Surplus	Accumulated Other Comprehensive (Loss) Income	Deficit	Total
Balance at December 31, 2016	$ 196,686	$ 24,497	$ (146)	$ (245,591)	$ (24,554)
Comprehensive income (loss) for the period	-	-	3	(1,155)	(1,152)
Rights offering (Note 12(b))	2,890	-	-	-	2,890
Issuance costs (Note 12(b))	(164)	-	-	-	(164)
Gain on modification of debt (Note 8(a))	-	746	-	-	746
Deferred tax effect of notes payable	-	(200)	-	-	(200)
LTIP issuance	162	(115)	-	-	47
Share-based compensation	60	314	-	-	374
Balance at December 31, 2017	$ 199,634	$ 25,242	$ (143)	$ (246,746)	$ (22,013)
Comprehensive loss for the period	-	-	(11)	(2,818)	(2,829)
Share-based compensation	283	137	-	-	420
Balance at December 31, 2018	$ 199,917	$ 25,379	$ (154)	$ (249,564)	$ (24,422)

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of United States dollars)

For the years ended December 31,	2018	2017
Operating activities:		
Net loss for the period	$ (2,818)	$ (1,155)
Adjusted for the following non-cash items:		
Depreciation of property and equipment	1,339	924
Share-based compensation expense	420	281
Gain on disposal of equipment	(7)	(3)
Amortization of deferred lease inducements	(46)	26
Deferred taxes	-	(200)
Change in fair value of derivative instruments	-	(137)
Financing costs	2,679	2,538
Current income tax expense	6	51
Interest paid	(2)	(7)
Income tax paid	(7)	(52)
Changes in working capital:		
Trade receivables	(2,705)	89
Unbilled revenue and prepaid expenses	(564)	15
Accounts payable and accrued liabilities	(1,213)	99
Unearned revenue	(978)	1,135
Gain on foreign currency translation	25	(107)
Cash flows (used) provided by operating activities	(3,871)	3,497
Investing activities:		
Purchase of property and equipment	(1,190)	(3,471)
Proceeds from sale of equipment	7	3
Cash flows used in investing activities	(1,183)	(3,468)
Financing activities:		
Proceeds from issuance of common shares	-	2,890
Repayment of notes payable	-	(2,890)
Share issuance costs	-	(164)
Repayment of obligations under finance leases	(12)	(56)
Cash flows used in financing activities	(12)	(220)
Effect of foreign exchange on cash	(13)	27
Decrease in cash	(5,079)	(164)
Cash, beginning of period	6,363	6,527
Cash, end of period	$ 1,284	$ 6,363

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Reporting entity:

Intermap Technologies ® Corporation (the Company) is incorporated under the laws of Alberta, Canada. The head office of Intermap is located at 8310 South Valley Highway, Suite 400, Englewood, Colorado, USA 80112. Its registered office is located at 400, 3rd Avenue SW, Suite 3700, Calgary, Alberta, Canada T2P 4H2.

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

2. Basis of preparation:

a. Going concern:

These consolidated financial statements have been prepared assuming the Company will continue as a going concern. The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and can realize its assets and discharge its liabilities and commitments in the normal course of business. During the year ended December 31, 2018, the Company reported an operating loss of $116, a net loss of $2,818, and negative cash flows from operating activities of $3,871. In addition, the Company has a shareholders' deficiency of $24,422 at December 31, 2018.

The above factors in the aggregate indicate there are material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's ability to successfully secure sales with upfront payments, reduce existing debt and / or obtain additional financing. Failure to achieve one or more of these requirements could have a materially adverse effect on the Company's financial condition. The Board of Directors and management have taken actions to address these issues including retaining a financial advisor as well as a consultant to explore strategic alternatives. Such alternatives could include, a sale of the Company, a sale of assets, a business combination or continuing as a standalone entity under a new capital structure. The Board of Directors has been informed by Vertex One Asset Management ("Vertex"), the Company's only first lien secured creditor and its largest shareholder, of its general preference for liquidity at this time. Vertex has provided financial support to the Company for the past six years. There can be no assurance that the consideration of strategic alternatives will result in the completion of any transaction or any other alternative. The Company may not be able to meet its future obligations if it is unable to complete a strategic alternative transaction or secure additional capital.

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

b. Statement of compliance:

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

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of March 28, 2019, the date the Board of Directors approved the consolidated financial statements.

c. Measurement basis:

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

d. Use of estimates:

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in Note 8(a) – Notes Payable.

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

i. Depreciation and amortization rates:

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

ii. Trade receivables:

The Company uses historical trends and performs specific account assessments when determining the expected credit losses. These accounting estimates are in respect to the trade receivables line item in the Company's consolidated balance sheet. At December 31, 2018, trade receivables represented 33% of total assets.

The estimate of the Company's expected credit losses could change from period to period due to the allowance being a function of the balance and composition of trade receivables.

iii. Share-based compensation:

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

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

iv. Derivative financial instruments:

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

v. Provisions:

A provision is recognized, if because of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the future settlement were to adversely differ from management's expectations, the Company could incur either an additional expense or reversal of the expense previously recorded (see Note 3(f)).

vi. Compound financial instruments:

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

vii. Notes payable:

The Company has issued long-term promissory notes with no stated interest obligation. The valuation and accounting for the zero-interest notes is complex and requires the application of management estimates and judgments with respect to the determination of appropriate valuation method applied on initial recognition. The assumptions and models used for estimating fair value of the note transactions are disclosed in Note 8.

viii. Revenue:

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

e. Functional and presentation currency:

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

f. Foreign currency translation:

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

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

3. Summary of significant accounting policies:

a. Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Intermap Technologies Inc. (a U.S. corporation); Intermap Insurance Solutions Inc. (a U.S. corporation), Intermap Technologies PTY Ltd (an Australian corporation); Intermap Technologies s.r.o. (a Czech Republic corporation); and PT ExsaMap Asia (an Indonesian corporation). The Company accounts for PT ExsaMap Asia as a 100% owned subsidiary (previously a 90% owned subsidiary) and the non-controlling interest was removed.

With respect to PT ExsaMap Asia (a 90% owned subsidiary during all of 2017), the non-controlling shareholder owned a written put option for which the Company had recognized as a liability in the consolidated financial statements in accordance with IAS 32, Financial Instruments: Presentation. The Company elected to use the anticipated acquisition method to account for the arrangement, in which the recognition of the liability implies that the interests subject to the put option are deemed to have already been acquired, even though legally they are still non-controlling interests. Therefore, PT ExsaMap Asia was presented in the consolidated financial statements as fully owned by the Company for accounting purposes, and profits and losses attributable to the holder of the non-controlling interest subject to the put option were presented as attributable to the owners of the parent and not as attributable to those non-controlling shareholders.

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

b. Cash:

Cash includes unrestricted cash balances.

c. Work in process:

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

d. Property and equipment:

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

Assets	Years
Aircraft	10
Aircraft engines	7
Mapping equipment - hardware and software	3
Radar equipment	5
Furniture and fixtures	5
Leasehold improvements	Shorter of useful life or term of lease

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

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

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

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

e. Leases:

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

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

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

f. Provisions:

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

i. Restructuring:

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

ii. Onerous contracts:

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

g. Deferred lease inducements:

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

h. Income taxes:

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

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

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

i. Revenue recognition:

Revenue is recognized upon transfer of control of goods or services to the buyer in an amount that reflects the consideration the Company expects to receive in exchange for those good or services. The Company's goods and services are generally distinct and accounted for as separate performance obligations. Billings in excess of revenue are recorded as unearned revenue. Revenue recognized in excess of billings is recorded as unbilled revenue.

The company recognizes an asset related to the incremental costs of obtaining a contract with a customer. The Company has elected to make use of the practical expedient and will expense sales commission costs when incurred if the amortization period is less than 12 months.

i. Data licenses:

Revenue from the sale of data licenses in the ordinary course of business is measured at the fair value of the consideration received or receivable. Customers obtain control of data products upon receipt of a physical hard drive or download of the data from a web link provided. Invoices are generated, and revenue is recognized when control is transferred. Invoices are generally paid within 30 days.

ii. Software subscriptions:

Software subscriptions are generally one year or less, with invoices issued and paid at the beginning of the license term. Revenue is recognized overtime, and payments for future months of service are recognized in unearned revenue.

While the license agreements are for a fixed term, some agreements also contain a limited number of clicks or uses. If the limit is reached prior to the end of the term, the license ends early.

iii. Fixed-price contracts:

Revenue from acquisition service contracts is recognized overtime based on the ratio of costs incurred to estimated final contract costs. The use of this method of measuring progress towards complete satisfaction of the performance obligations 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. Invoices are issued according to contractual terms and are usually payable within 30 days. Revenue recognized in excess of billings is recorded as unbilled revenue.

iv. Multiple performance obligations:

When a single sales transaction requires more than one performance obligation, the total amount of consideration to be received is allocated to distinct products or services deliverables based on the stand-alone selling price of each.

j. Research and development:

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

k. Share-based compensation:

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

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

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

l. Earnings per share:

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

m. Financial instruments:

i. Initial measurement and classification:

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

Assets at amortized cost: Trade receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs.

Financial liabilities at fair value through profit or loss: These include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. The Company has issued non-broker warrants that are considered to be derivative liabilities due to the warrants being exercisable in a currency (Canadian dollar) other than the Company's functional currency (United States dollar).

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

ii. Subsequent measurement:

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

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

Assets at amortized cost: Subsequent to initial recognition, trade receivables are measured at amortized cost using the effective interest method, less any impairment losses.

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

Financial liabilities at amortized cost: The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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

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

Financial instrument:	Classification:
Cash	Assets at amortized cost
Trade receivables	Assets at amortized cost
Unbilled revenue	Assets at amortized cost
Accounts payable and accrued liabilities	Financial liabilities at amortized cost
Obligations under finance leases	Financial liabilities at amortized cost
Notes payable	Financial liabilities at amortized cost
Other long-term liabilities	Financial liabilities at amortized cost

iii. Compound financial instruments:

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

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

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

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

iv. Fair value measurement:

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).

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

v. Impairment of financial assets:

Loss allowances are measured based on the lifetime expected credit losses (ECLs). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and then estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and forward-looking information. The Company considers a financial asset to be in default when the customer is highly unlikely to pay its obligation in full and then impairs the asset.

n. Segments:

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

o. Share capital:

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

4. New and revised IFRS accounting pronouncements:

The Company adopted the following new accounting standards and amendments which are effective for the Company's consolidated financial statements commencing January 1, 2018.

a. IFRS 9, Financial Instruments:

Effective January 1, 2018, the Company adopted IFRS 9. This standard simplifies the classification of a financial asset as either at amortized cost or at fair value as opposed to the multiple classifications which were permitted under IAS 39. This standard also requires the use of a single impairment method as opposed to the multiple methods in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The standard also adds guidance on the classification and measurement of financial liabilities. The adoption of this standard has not had a material impact on the consolidated financial statements.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument is assessed for classification.

i. Classification and measurement of financial assets and liabilities:

The following table summarizes the classification and measurement changes for each class of the Company's financial assets and financial liabilities upon adoption at January 1, 2018:

	IAS 39		IFRS 9	
Financial instrument	**Category**	**Measurement**	**Category**	**Measurement**
Cash	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Trade receivables	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Unbilled revenue	Loans and receivables	Amortized cost	Assets at amortized cost	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Obligations under finance leases	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Notes payable	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost
Other long-term liabilities	Other liabilities	Amortized cost	Financial liabilities at amortized cost	Amortized cost

ii. Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39. The financial assets at amortized cost consist of cash and trade receivables.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company has elected to measure loss allowances for trade receivables as an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and then estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and forward-looking information.

The Company considers a financial asset to be in default when the customer is highly unlikely to pay its obligation in full.

b. IFRS 15, Revenue from Contracts with Customers:

IFRS 15 provides a single, principles-based five-step model for revenue recognition to be applied to all customer contracts and requires enhanced disclosures. The standard also provides guidance relating to recognition of customer acquisition costs.

The Company has adopted this standard on the required effective date of January 1, 2018, using the modified retrospective approach. The Company is providing expanded disclosures related to the nature, amount and timing of the revenue (see Note 10). In addition, the Company has elected to make use of the following practical expedients:

- IFRS 15 is only applied to revenue contracts that are not completed as the date of applying the standard of January 1, 2018; and

- The Company will expense sales commission costs when incurred if the amortization period is less than 12 months.

Under IFRS 15, revenue is recognized when a customer obtains control of the good or services. Determining the timing of the transfer of control, at a point in time or overtime, requires judgement. IFRS 15 did not have a significant impact on the Company's accounting policies.

i. Data Licenses:

Revenue from the sale of data licenses in the ordinary course of business is measured at the fair value of the consideration received or receivable. Customers obtain control of data products upon receipt of a physical hard drive or download of the data from a web link provided. Invoices are generated, and revenue is recognized at that point in time. Invoices are generally paid within 30 days.

ii. Software subscriptions:

Software subscriptions are generally one year or less, with invoices issued and paid at the beginning of the license term. Revenue is recognized overtime, and payments for future months of service are recognized in unearned revenue.

While the license agreements are for a fixed term, some agreements also contain a limited number of clicks or uses. If the limit is reached prior to the end of the term, the license ends early.

iii. Acquisition service contracts:

Revenue from acquisition service contracts is recognized overtime based on the ratio of costs incurred to estimated final contract costs. The use of this method of measuring progress towards complete satisfaction of the performance obligations 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. Invoices are issued according to contractual terms and are usually payable within 30 days. Uninvoiced amounts are presented as unbilled revenue.

5. Future IFRS accounting pronouncements:

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

a. IFRS 16, Leases

In January 2016, the International Accounting Standards Board issued IFRS 16, Leases, which specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize right-of use-assets and lease liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consistent with its predecessor, IAS 17, the new lease standard continues to require lessors to classify leases as operating or finance. The Company is reviewing its leases to evaluate the impact of the standard. The Company will adopt the standard using the modified retrospective method, in which the cumulative effect of adoption will be recognized as an adjustment to the opening balance of retained earnings. Prior year period amounts will not be adjusted. While the assessment of the impact is still being determined and the Company is not currently in a position to reliably quantify the full impact of IFRS 16 on the consolidated financial statements, the Company expects the adoption of this standard to increase assets and liabilities as it will be required to record a right-of-use asset and a corresponding liability in the consolidated financial statements. The Company also expects an impact from the reclassification of lease expense from operating to depreciation and interest expense. There will be no impact on cash flows, however, cash flows from operating activities will increase as payments will be reclassified to cash flows from investing activities.

6. Property and equipment:

Property and equipment	Aircraft and engines	Radar and mapping equipment	Furniture and fixtures	Leasehold improvements	Under construction	Total
Balance at December 31, 2016	$ 837	$ 283	$ 9	$ 39	$ 289	$ 1,457
Additions	-	294	3	24	3,606	3,927
Transfer from under construction	-	3,489	-	-	(3,489)	-
Depreciation	(369)	(517)	(4)	(34)	-	(924)
Balance at December 31, 2017	$ 468	$ 3,549	$ 8	$ 29	$ 406	$ 4,460
Additions	102	104	9	29	946	1,190
Transfer from under construction	30	131	-	86	(247)	-
Depreciation	(363)	(927)	(6)	(43)	-	(1,339)
Balance at December 31, 2018	$ 237	$ 2,857	$ 11	$ 101	$ 1,105	$ 4,311

Property and equipment	Aircraft and engines	Radar and mapping equipment	Furniture and fixtures	Leasehold improvements	Under construction	Total
Cost	$ 10,951	$ 31,132	$ 379	$ 959	$ 406	$ 43,827
Accumulated depreciation	(10,483)	(27,583)	(371)	(930)	-	(39,367)
Balance at December 31, 2017	$ 468	$ 3,549	$ 8	$ 29	$ 406	$ 4,460
Cost	$ 11,083	$ 31,226	$ 388	$ 1,074	$ 1,105	$ 44,876
Accumulated depreciation	(10,846)	(28,369)	(377)	(973)	-	(40,565)
Balance at December 31, 2018	$ 237	$ 2,857	$ 11	$ 101	$ 1,105	$ 4,311

During the twelve months ended December 31, 2018, the Company disposed of assets with an original cost of $141 (December 31, 2017 - $28) and a net book value of $Nil (December 31, 2017 - $Nil) and recognized a gain of $7 (December 31, 2017 - $3) on those assets and received cash proceeds of $7 (December 31, 2017 - $3). Property and equipment additions for the year ended December 31, 2018 include $Nil (December 31, 2017 - $456) recorded to accounts payable and accrued liabilities.

7. Accounts payable and accrued liabilities:

	December 31, 2018	December 31, 2017
Accounts payable	**$ 1,118**	$ 1,910
Accrued liablities	**1,709**	2,043
Other taxes payable	**9**	58
	$ 2,836	$ 4,011

During the twelve months ended December 31, 2018, the Company reversed excess vendor payables of $222 (December 31, 2017 - $Nil) and accrued liabilities of $223 (December 31, 2017 - $Nil) recorded in prior years based on IFRS 9 derecognition of financial liabilities as the liabilities have expired.

8. Financial liabilities:

The following table details the financial liabilities activity and balances at December 31, 2018 and 2017:

	Liabilities			Equity	
	Notes Payable	Project Financing	Finance Leases	Share Capital	Total
Balance at December 31, 2016	$ 27,701	$ 1,382	$ 73	$ 196,686	$ 225,842
Changes from financing activities:					
Proceeds from issuance of common shares	-	-	-	2,890	2,890
Repayment of notes payable	(2,890)	-	-	-	(2,890)
Share issuance costs	-	-	-	(164)	(164)
Repayment of obligations under finance lease	-	-	(56)	-	(56)
Total changes from financing activities	(2,890)	-	(56)	2,726	(220)
Foreign exchange	-	12	-	-	12
Other changes:					
Financing costs	2,431	100	7	-	2,538
Discount recognized on the note	(746)	-	-	-	(746)
LTIP issuance	-	-	-	162	162
Share-based compensation	-	-	-	60	60
Balance at December 31, 2017	$ 26,496	$ 1,494	$ 24	$ 199,634	$ 227,648
Changes from financing activities:					
Repayment of obligations under finance lease	-	-	(12)	-	(12)
Total changes from financing activities	-	-	(12)	-	(12)
Foreign exchange	-	(14)	-	-	(14)
Other changes:					
Financing costs	2,569	108	2	-	2,679
Share-based compensation	-	-	-	283	283
Balance at December 31, 2018	$ 29,065	$ 1,588	$ 14	$ 199,917	$ 230,584

a. Notes payable:

The following table details the liability and equity components of each note payable balance at December 31, 2018:

Closing Date of Note	March 30, 2017	December 14, 2016	December 14, 2016	Total
Proceeds from issuance of notes	$ -	$ 6,000	$ -	$ 6,000
Repayment	-	(2,890)	-	(2,890)
Note modification - 2016	-	-	27,800	27,800
Conversion to long-term note payable	3,110	(3,110)	-	-
Issuance of December 2016 note	-	-	3,000	3,000
Transaction costs	-	-	(168)	(168)
Discount on the note	(746)	(158)	(8,880)	(9,784)
Effective interest on note discount	357	158	4,592	5,107
Long-term portion of notes payable	$ 2,721	$ -	$ 26,344	$ 29,065

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

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

i. December 14, 2016 note payable:

On December 14, 2016, the Company received $6,000 as a bridge loan from Vertex. The loan is payable on the earlier of March 31, 2017 or the completion of the Rights Offering, which closed on March 30, 2017 (see Note 12(b)). All the proceeds of the Rights Offering were to be used to pay down this note payable, and any amounts which remain outstanding after the Rights Offering will be converted into a term loan due September 1, 2020. The note is non-interest bearing, and therefore the fair value at inception must be estimated to account for an imputed interest factor. The value at inception was determined to be $5,842. The estimated discount rate was 9.21% and is subject to estimation uncertainty. The discount of $158 was recognized in contributed surplus and was amortized over the term of the note using the effective interest method. The note was subject to prepayment provisions, if the Company's aggregate cash balance exceeds $10.0 million at the end of any calendar quarter, 50% of the balance greater than $10.0 million must be pre-paid against the outstanding notes payable.

ii. December 14, 2016 note modification:

On December 14, 2016, the Company and Vertex restructured its September 15, 2016 note payable of $25,800 and July 8, 2016 note payable of $2,000. The original notes, bearing interest at 15% per annum each, were extended to mature on September 1, 2020 and the interest was eliminated. In addition, a promissory note payable for $3,000 was issued in exchange for the termination of the royalty agreement, executed on February 23, 2015, and the amending agreement, which established the cash sweep requirement, executed on April 28, 2015. The restructured notes were treated as an extinguishment for accounting purposes, and given they require for zero interest payments, the fair value at inception must be estimated to account for an imputed interest factor. The value of the remaining promissory notes ($25,800, $2,000 and $3,000) at inception was determined to be $21,752, net of transaction costs of $168. The estimated discount rate was 9.21% and is subject to estimation uncertainty. The discount to the note payable will be amortized over the term of the note using the effective interest method. For the twelve months ending December 31, 2018, $2,359 (twelve months ending December 31, 2017 - $2,233) was recognized in financing costs. The note is secured by a first priority lien on all the assets of the Company and is subject to prepayment provisions, if the Company's aggregate cash balance exceeds $10.0 million at the end of any calendar quarter, 50% of the balance greater than $10.0 million must be pre-paid against the outstanding notes payable.

iii. March 30, 2017 note payable:

On March 30, 2017, the Company executed an amended and restated promissory note with Vertex One Asset Management (Vertex), for $3,110 due September 1, 2020. The note represents the balance remaining from the December 14, 2016 bridge loan, following the completion of the Rights Offering (See Note 12(b)) and repayment of $2,890. The note is non-interest bearing, and therefore the fair value at inception must be estimated to account for an imputed interest factor. The value at inception was determined to be $2,364, based on the estimated discount rate of 8.05%, and is subject to estimation uncertainty. The resulting discount of $746 was recognized in contributed surplus as a gain on the modification of debt at March 30, 2017 and will be amortized over the term of the note using the effective interest method. For the twelve months ending December 31, 2018, $210 (twelve months ended December 31, 2017 - $147) was recognized in financing costs. The note is secured by a first priority lien on all the assets of the Company and is subject to prepayment provisions, if the Company's aggregate cash balance exceeds $10.0 million at the end of any calendar quarter, 50% of the balance greater than $10.0 million must be pre-paid against the outstanding notes payable.

b. Project financing:

Project financing includes a promissory note with a service provider. The note bears interest at 8% per annum and is secured by a last priority lien on an aircraft owned by the Company. As of December 31, 2018, the balance of the note is $1,411. While the note is classified as a current liability on the balance sheet, the Company has disputed the amount owed and therefore has not committed to cash payments.

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

		December 31, 2018		December 31, 2017
Promissory note payable	$	**1,411**	$	1,303
Reimbursable project funding		**177**		191
		1,588		1,494
Less current portion		**(1,411)**		(1,303)
Long-term portion of project financing	$	**177**	$	191

9. Obligations under finance leases:

Finance lease liabilities are payable as follows:

	December 31, 2018						December 31, 2017					
		Future minimum lease payments		Interest [(1)]		Present value of minimum lease payments		Future minimum lease payments		Interest [(1)]		Present value of minimum lease payments
Less than one year (current portion)	$	**12**	$	**1**	$	**11**	$	12	$	2	$	10
Between one and five years (long-term portion)		**3**		**-**		**3**		15		1		14
	$	**15**	$	**1**	$	**14**	$	27	$	3	$	24

(1) Interest rate ranging from 7.48% to 9.65%.

10. Revenue:

Details of revenue are as follows:

For the twelve months ended December 31,		2018		2017
Acquisition services	$	**8,699**	$	14,926
Value-added data		**4,735**		2,837
Software and solutions		**2,386**		1,541
	$	**15,820**	$	19,304
Primary geographical market				
United States	$	**10,636**	$	6,925
Asia/Pacific		**3,368**		10,987
Europe		**1,816**		1,392
	$	**15,820**	$	19,304
Timing of revenue recognition				
Upon delivery	$	**5,168**	$	3,142
Services overtime		**10,652**		16,162
	$	**15,820**	$	19,304

Changes in the unbilled revenue balance are as follows:

For the twelve months ended December 31,		2018		2017
Unbilled revenue, beginning of period	$	**65**	$	30
Increase in unbilled revenue recognized		**6,056**		62
Amounts invoiced included in the beginning balance		**(65)**		(30)
Amounts invoiced in the current period		**(5,634)**		(2)
Foreign exchange		**(1)**		5
Unbilled revenue, end of period	$	**421**	$	65

Changes in the unearned revenue balance are as follows:

For the twelve months ended December 31,		2018		2017
Unearned revenue, beginning of period	$	**1,604**	$	469
Recognition of unearned revenue included in the beginning balance		**(1,604)**		(469)
Recognition of unearned revenue in the current period		**(3,668)**		(15,906)
Amounts invoiced and revenue unearned		**4,298**		17,500
Foreign exchange		**(4)**		10
Unearned revenue, end of period	$	**626**	$	1,604

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if the expected benefit of those costs is longer than one year. The Company determined that certain commissions paid to sales employees meet the requirement to be capitalized. Total capitalized cost included in prepaid expenses and other assets to obtain contracts at December 31, 2018 was $16 (2017 – $21).

11. Operating and non-operating costs:

a. Operating costs:

For the twelve months ended December 31,		2018		2017
Personnel	$	**8,198**	$	8,580
Purchased services & materials[1]		**3,885**		5,391
Travel		**471**		597
Facilities and other expenses		**1,565**		2,260
	$	**14,119**	$	16,828

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

b. Restructuring costs:

During the twelve months ended December 31, 2018, the Company continued organizational restructuring to lower on-going operating costs. As a result, the company recorded $478 of workforce reduction restructuring costs (twelve months ended December 31, 2017 - $244).

c. Financing costs:

For the twelve months ended December 31,		2018		2017
Accretion of discounts recognized on notes payable	$	**2,569**	$	2,431
Interest on project financing		**108**		100
Interest on finance lease		**2**		7
	$	**2,679**	$	2,538

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, 2018		December 31, 2017	
Class A common shares	**Number of Shares**	**Amount**	Number of Shares	Amount
Balance, beginning of period:	**16,396,289**	**$ 199,634**	10,134,458	$ 196,686
Issuance of common shares from Rights offering	**-**	**-**	6,011,273	2,890
Issuance costs	**-**	**-**	-	(164)
LTIP Issuance	**-**	**-**	149,293	162
Share-based compensation	**872,183**	**283**	101,250	60
Share consolidation rounding	**-**	**-**	16	-
Balance, end of period:	**17,268,472**	**$ 199,917**	16,396,289	$ 199,634

On June 28, 2018, 872,183 Class A common shares were issued to directors of the Company as compensation for services. Compensation expense of $283 for these Class A common shares is included in operating costs.

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

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

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

On February 24, 2017, the Company announced its plans to proceed with the previously announced Rights Offering. The Rights Offering Notice was mailed on March 2, 2017 to all shareholders of record as of March 1, 2017. Pursuant to the Rights Offering, one right was issued for each common share of the Company held and each right entitles the holder to subscribe for one common share of the Company upon the payment of the subscription price of C$0.60 or US$0.50 per common share. An aggregate of 10,134,458 rights were issued pursuant to the Rights Offering, and the rights expired on March 27, 2017. On March 30, 2017, the Company issued 6,011,273 Class A common shares, with total proceeds of $2,890 and issuance costs of $164. All proceeds were used to reduce the $6,000 bridge loan, and the remaining balance of $3,110 was converted to a term note due on September 1, 2020, bearing zero interest (see Note 8(a(iii))).

c. Contributed surplus:

	December 31, 2018	December 31, 2017
Balance, beginning of period	**$ 25,242**	$ 24,497
Gain on modification of notes payable (Note 7(a))	**-**	746
Share-based compensation	**137**	314
LTIP issuance	**-**	(115)
Deferred tax effect of notes payable	**-**	(200)
Balance, end of period	**$ 25,379**	$ 25,242

d. Loss per share:

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

The weighted average number of shares have been retrospectively adjusted for the bonus element of a 1.14 factor because of the rights issued pursuant to the Rights Offering (Note 12(b)).

The underlying Class A common shares pertaining to 1,284,077 outstanding share options, 430,200 restricted share units (RSUs) and 546,456 outstanding warrants could potentially dilute earnings.

e. Director's share compensation plan:

The Company had a director's share compensation plan which allowed for the issuance of the Company's Class A common shares to non-employee directors of the Company as part of their annual compensation. At the Annual General and Special Meeting of the Shareholders on June 8, 2016, an amendment to the share compensation plan was approved to increase the maximum number of Class A common shares of the Corporation issuable thereunder from 240,000 to 440,000. As of December 31, 2017, 78,581 Class A common shares remain available under the plan. Compensation expense for issued shares was included in operating costs. This plan was replaced by the omnibus plan during 2018 (see Note 12(i)).

f. Employee share compensation plan:

The Company established an employee share compensation plan to compensate employees for services performed. The plan was approved by the shareholders of the Company at the Annual General Meeting on May 12, 2009. At the Annual General and Special Meeting of the Shareholders on June 8, 2016, an amendment to the share compensation plan was approved to increase the maximum number of Class A common shares of the Corporation issuable thereunder from 800,000 to 1,000,000. As of December 31, 2017, 730,189 Class A common shares remained available for issuance under the plan. Compensation expense for issued shares was included in operating costs. This plan was replaced by the omnibus plan during 2018 (see Note 12(i)).

g. Share option plan:

The Company established a share option plan to provide long-term incentives to attract, motivate, and retain certain key employees, officers, directors, and consultants providing services to the Company. The plan permitted granting options to purchase up to 10% of the outstanding Class A common shares of the Company. The share option plan was replaced at the Annual General Meeting on March 15, 2018 (see Note 12(i), and all options issued and outstanding at that time will remain until such time they are exercised, expired or forfeited. As of December 31, 2018, 1,284,077 share options are issued and outstanding. No additional options will be issued under this plan.

The following tables summarize information regarding share options outstanding:

	December 31, 2018		December 31, 2017	
	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	**1,396,079**	**$ 1.09**	924,991	$ 2.48
Granted	**-**	**-**	905,214	0.70
Expired	**(56,752)**	**2.26**	(423,126)	3.26
Forfeitures	**(55,250)**	**0.89**	(11,000)	2.78
Options outstanding, end of period	**1,284,077**	**$ 1.04**	1,396,079	$ 1.09
Options exercisable, end of period	**931,487**	**$ 1.13**	766,944	$ 1.26

Exercise Price (CDN$)	Options outstanding	Weighted average remaining contractual life	Options exercisable
0.70	830,214	8.28 years	496,874
0.80	291,732	7.88 years	291,732
1.70	2,500	1.62 years	2,500
2.30	12,381	2.63 years	12,381
2.70	38,500	3.38 years	19,250
2.90	59,750	1.22 years	59,750
4.40	49,000	0.20 years	49,000
	1,284,077	7.34 years	931,487

During the twelve months ended December 31, 2018 and 2017, the estimated forfeiture rate was 10.36%. During the twelve months ended December 31, 2018, the Company recognized $98 (twelve months ended December 31, 2017 – $274) of non-cash compensation expense related to the share option plan.

h. Long-term incentive plan:

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

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

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

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

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

i. Omnibus plan:

The omnibus plan was approved by the shareholders at the Annual General Meeting on March 15, 2018 and replaces the share option plan, the employee share compensation plan and the director's share compensation plan. The omnibus plan permits the issuance of options, stock appreciation rights, restricted share units and other share based awards under one single plan.

The maximum number of common shares reserved under the omnibus plan is 3,363,631. Any common shares reserved under the predecessor share option plan related to awards that expire or forfeit will be rolled into the omnibus plan. As of December 31, 2018, 1,284,077 share options and 430,200 RSUs are issued and outstanding. In addition, 872,183 Class A common shares were issued (see Note 12(b)) under the plan, leaving 777,171 awards remain available for future issuance. Under the omnibus plan, there are no restrictions on the maximum number or percentage of common shares that can be awarded to one individual or all insiders.

During the twelve months ended December 31, 2018, 481,700 RSUs were issued at a weighted average grant date fair value of C$0.37 per share During the twelve months ended December 31, 2018, the Company recognized $39 (twelve months ended December 31, 2017 - $Nil) of non-cash compensation expense related to the RSUs. During the twelve months ended December 31, 2018, 51,500 RSUs were forfeited.

j. **Share-based compensation expense:**

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

For the twelve months ended December 31,		**2018**		2017
Employees	**$**	**137**	$	159
Directors and advisors		**283**		153
Non-cash compensation	**$**	**420**	$	312

13. Class A common share purchase warrants:

The warrant amounts and prices have been adjusted because of the December 2017 share consolidation (see Note 12(b)). The following table details the number of Class A common share purchase warrants outstanding at each balance sheet date:

Grant Date	Expiry Date	Exercise Price	Granted	Anti-dilution Adjustment	Number of Warrants Outstanding December 31, 2017	Expired	Number of Warrants Outstanding December 31, 2018
1/14/2015	1/21/2018	C$ 0.80	146,983	28,041	175,024	(175,024)	-
4/1/2015	4/1/2018	US$ 0.70	458,919	87,550	546,469	(546,469)	-
4/1/2015	9/1/2020	US$ 0.70	458,907	87,549	546,456	-	546,456
5/1/2015	5/1/2018	US$ 0.60	453,017	86,424	539,441	(539,441)	-
			1,517,826	289,564	1,807,391	(1,260,934)	546,456

Each warrant entitles its holder to purchase one Class A common share. The 546,456 outstanding warrants denominated in United States dollars are recognized as part of share capital. At December 31, 2018 $385 is included in share capital related to these warrants. As the exercise prices are denominated in U.S. dollars, the Company's functional currency, the warrants are not considered a derivative liability and are not required to be recorded as a financial liability and revalued at each balance sheet date.

During January 2018, 175,024 warrants (146,983 warrants issued on January 14, 2015 adjusted for anti-dilution provisions on March 30, 2017) naturally expired.

The expiry date for the warrants issued on April 1, 2015 was extended to September 1, 2020 by approval of the shareholders at the Annual General Meeting on March 15, 2018.

During April 2018, 546,469 warrants (458,919 warrants issued on April 1, 2015 adjusted for anti-dilution provisions on March 30, 2017) naturally expired.

During May 2018, 539,441 warrants (453,017 warrants issued on May 1, 2015 adjusted for anti-dilution provisions on March 30, 2017) naturally expired.

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

	Number of non-broker warrants	Warrant liability
Balance at December 31, 2017	175,024	$ -
Expired	(175,024)	-
Balance at December 31, 2018	-	$ -

14. Income Taxes:

a. Current tax (expense) recovery:

December 31	2018	2017
Current period	$ (6)	$ (51)
Adjustment for prior periods	-	-
	$ (6)	$ (51)

b. Deferred tax recovery

Origination and reversal of temporary differences	**$ -**	$ 200

During 2018, the Company recognized $Nil (2017 - $200) in deferred tax expense related to the notes payable directly in equity.

c. Reconciliation of effective tax rate:

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

December 31,	2018	2017
Losses, excluding income tax	**$ (2,812)**	$ (1,304)
Tax rate	**27.0%**	27.0%
Expected Canadian income tax recovery	**$ 760**	$ 352
Decrease resulting from:		
Change in unrecognized temporary differences	**(242)**	21,735
Change in US statutory rate	**-**	(22,263)
Difference between Canadian statutory rate and those applicable to U.S. and other foreign subsidiaries	**5**	35
Non-deductible expenses and non-taxable income	**(143)**	(580)
Adjustment for prior years income tax matters	**(414)**	114
Tax losses expiring during the year	**-**	751
Other	**28**	5
	$ (6)	$ 149

d. Recognized deferred tax assets and liabilities:

Deferred income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. Deferred tax assets and liabilities recognized at December 31, 2018 and 2017, are as follows:

	Assets		Liabilities		Net	
December 31,	2018	2017	2018	2017	2018	2017
Property and equipment		$ -	**$ 224**	$ -	**$ 224**	$ -
Note payable		-	**1,309**	200	**1,309**	200
Tax loss carryforwards	**(1,533)**	(200)		-	**(1,533)**	(200)
Tax (assets) liabilities	**$ (1,533)**	$ (200)	**$ 1,533**	$ 200	**$ -**	$ -
Set off of tax	**1,533**	200	**(1,533)**	(200)	**-**	-
Net tax (assets) liabilities	**$ -**	$ -	**$ -**	$ -	**$ -**	$ -

e. Unrecognized deferred tax assets:

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

December 31		**2018**		2017
Deductible temporary differences	**$**	**20,046**	$	19,891
Tax loss carryforwards		**216,891**		215,222
	$	**236,937**	$	235,113

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

Loss carry forwards:

At December 31, 2018, approximately $222,647 of loss carry forwards and $2,598 of tax credits were available in various jurisdictions. At December 31, 2018 $5,756 of loss carry forwards were recognized as a deferred tax asset. A summary of losses by year of expiry are as follows:

Twelve months ended December 31,		
2019	$	3,115
2021		2,812
2022-2038		216,720
	$	222,647

f. Movement in deferred tax balances during the year:

		Balance at December 31, 2017		Recognized in Profit and Loss		Recognized in Equity		**Balance at December 31, 2018**
Property and equipment	$	-	$	224			**$**	**224**
Note payable		2,000		(691)				**1,309**
Tax loss carryforwards		(2,000)		467				**(1,533)**
Net tax (assets) liabilities	$	-	$	-	$	-	**$**	**-**

15. Commitments:

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

2019	$	429
2020		226
	$	655

During the twelve months ended December 31, 2018, the Company recognized $855 (twelve months ended December 31, 2017 - $915) in operating lease expense for office space.

16. Segmented information:

The operations of the Company are in one industry segment: digital mapping and related services. Revenue by geographic segment is included in Note 10.

Property and equipment of the Company are located as follows:

		December 31, 2018		December 31, 2017
United States	**$**	**3,528**	$	4,191
Canada		**691**		194
Europe		**21**		4
Asia/Pacific		**71**		71
	$	**4,311**	$	4,460

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

Year ended December 31,		**2018**		2017
Customer A	**$**	**8,709**	$	5,631
Customer B		**-**		9,270
Customer C		**1,800**		-
	$	**10,509**	$	14,901

17. Financial risk management:

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

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

a. Credit risk

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

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

Approximately 67 percent of the Company's revenue is attributable to transactions with two key customers (year ended December 31, 2017 – 77 percent of the revenue was attributable to two key customers), approximately 54 percent of the Company's trade receivables at year end are attributable to customers located in Asia/Pacific (December 31, 2017 – approximately 20 percent), and approximately 7 percent of the Company's trade receivables at year end are attributable to customers located in Europe (December 31, 2017 – approximately 67 percent).

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

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

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

i. Trade receivables

Expected credit losses 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.

Trade receivables as of December 31, 2018, and December 31, 2017, consist of:

		December 31, 2018		December 31, 2017
Trade receivables	$	3,207	$	519
Other miscellaneous receivables		14		2
	$	3,221	$	521

Trade receivables by geography consist of:

		December 31, 2018		December 31, 2017
United States	$	907	$	67
Europe		230		349
Canada		350		-
Asia/Pacific		1,720		103
	$	3,207	$	519

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

		December 31, 2018		December 31, 2017
Current	$	3,062	$	344
31-60 days		118		49
61-90 days		17		-
Over 91 days		10		126
	$	3,207	$	519

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

ii. Investments in securities

The Company manages its credit risk surrounding cash by dealing solely with what management believes to be reputable banks and financial institutions and limiting the allocation of excess funds into financial instruments that management believes to be highly liquid, low risk investments. The balance at December 31, 2018, is held in cash at banks within the United States, Canada, Europe, Asia, and Australia to facilitate the payment of operations in those jurisdictions.

b. Market risk

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

i. Foreign exchange risk

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

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

The balances in foreign currencies at December 31, 2018, are as follows:

(in USD)	Australian Dollar	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna
Cash	$ 1	$ 12	$ -	$ -	$ 3	$ 28
Trade receivables	-	1	39	100	-	87
Accounts payable and accrued liabilities	-	(549)	(31)	-	139	(139)
	$ 1	$ (536)	$ 8	$ 100	$ 142	$ (24)

The balances in foreign currencies at December 31, 2017, are as follows:

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

Based on the net exposures at December 31, 2018 and 2017, and if all other variables remain constant, a 10% depreciation or appreciation of the United States dollar against the following currencies would result in an increase / (decrease) in net earnings by the amounts shown below:

December 31, 2018	Australian Dollar	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna
United States dollar:						
Depreciates 10%	$ -	$ 54	$ (1)	$ (10)	$ 14	$ 2
Appreciates 10%	-	(54)	1	10	(14)	(2)

December 31, 2017	Australian Dollar	Canadian Dollar	Euro	British Pound	Indonesian Rupiah	Czech Republic Koruna
United States dollar:						
Depreciates 10%	$ (5)	$ 26	$ 15	$ (3)	$ 23	$ 6
Appreciates 10%	5	(26)	(15)	3	(23)	(6)

ii. Interest rate risk

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

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company does not have any debt instruments outstanding with variable interest rates at December 31, 2018, or December 31, 2017.

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

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

c. Liquidity risk

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

The Company manages its liquidity risk by evaluating working capital availability and forecasting cash flows from operations and anticipated investing and financing activities. At December 31, 2018, the Company has a cash balance of $1,284 (December 31, 2017 – $6,363) and working capital of positive $576 (December 31, 2017 –positive $348).

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as of December 31, 2018:

	Payment due:				
	In less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Accounts payable and accrued liabilities	2,597	72	167	-	-
Notes Payable	-	-	-	33,914	-
Project financing	1,411	-	-	177	-
Obligations under finance leases	3	3	6	3	-
	$ 4,011	$ 75	$ 173	$ 34,094	$ -

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

	Payment due:				
	In less than 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Between 1 year and 2 years	Between 2 years and 5 years
Accounts payable and accrued liabilities	3,279	22	706	4	-
Notes Payable	-	-	-	-	33,914
Project financing	1,303	-	-	191	-
Obligations under finance leases	3	3	6	12	3
	$ 4,585	$ 25	$ 712	$ 207	$ 33,917

d. Capital risk

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

The Company includes shareholders' deficiency, long-term notes payable, long-term portion of project financing and long-term portion of obligations under finance leases in the definition of capital. Total capital at December 31, 2018, was positive $4,823 (December 31, 2017 – positive $4,688). To maintain or adjust the capital structure, the Company may issue new shares, issue new debt with different characteristics, acquire or dispose of assets, or adjust the amount of cash and short-term investment balances held.

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

18. Fair values:

a. Fair value:

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

	December 31, 2018		December 31, 2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Loans and receivables:				
Cash	**$ 1,284**	**$ 1,284**	$ 6,363	$ 6,363
Trade receivables	**3,221**	**3,221**	521	521
	$ 4,505	**$ 4,505**	$ 6,884	$ 6,884
Financial liabilities				
Other financial liabilities:				
Notes payable	**29,065**	**28,024**	26,496	27,136
Accounts payable and accrued liabilities	**2,836**	**2,836**	4,011	4,011
	$ 31,901	**$ 30,860**	$ 30,507	$ 31,147

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

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

- Cash, trade receivables, accounts payable and accrued liabilities and provisions approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Notes payable are evaluated by the Company based on parameters such as interest rates and the risk characteristics of the instrument.

19. Key management personnel and director compensation:

The Company's compensation program specifically provides for total compensation for executive officers, which is a combination of base salary, performance-based incentives and benefit programs that reflect aggregated competitive pay considering business achievement, fulfillment of individual objectives and overall job performance. Executive officers participate in the Company's omnibus plan (Note 12(i)).

The compensation of non-employee directors consists of a cash component and a share component. Directors participate in the Company's omnibus plan (Note 12(i)).

The following summarizes key management personnel and directors' compensation for the years ended December 31, 2018 and 2017:

Year ended December 31,	**2018**	2017
Compensation and benefits	**$ 2,024**	$ 1,839
Post-employment benefits	**43**	202
Share-based payments	**226**	260
LTIP	**-**	(33)
	$ 2,293	$ 2,268

The following summarizes key management personnel and directors share ownership of the Company as of December 31, 2018, and 2017:

December 31,	**2018**	2017
Number of Class A Common shares held	**657,488**	377,871
Percentage of total Class A Common shares issued	**3.81%**	2.30%

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