2007 Annual Report | Intermap Technologies Corporation

Annual Meeting
May 13, 2008, at 11 a.m. MDT
in the Westwinds Conference Room,
Second Floor
#1200, 555 - 4th Avenue S.W.,
Calgary, Alberta

Adaptive Front Lighting Systems: precision 3D road vectors derived from our NEXTMap® elevation data enable adaptive front lighting systems that automatically adjust to illuminate approaching curves and steep grades – potentially reducing the number of road accidents, injuries, and deaths.

Digital Terrain Models: this color-shaded image of the Thames Valley is a digital terrain, or "bare earth" model with vegetation, buildings, and other cultural features digitally removed, leaving just the underlying terrain. Our DTMs support applications such as the development of topographic maps.

Portable Navigation Devices: our AccuTerra™ product enables existing outdoor GPS and PND products with detailed maps, land coverage, digital terrain data, and off-road points-of-interest (POI) – allowing users to download the most feature-rich map data available on the market today.

Flood Risk Models: in order to assign risk levels according to a building's actual address, one of our business partners, Ambiental, applied its proprietary storm surge algorithm (Flowroute™) to our flood risk modeling application depicting a steady-state 3.6 m storm surge in Jakarta.

Active Powertrain Management: another application enabled by our 3D road vectors – with tremendous fuel-saving potential – provides commercial trucks with knowledge of upcoming grades and their slope and length to automatically select the most efficient gear ratio and engine performance.

2007 Highlights

Revenues increased by 55%

NEXTMap® USA 60% collected

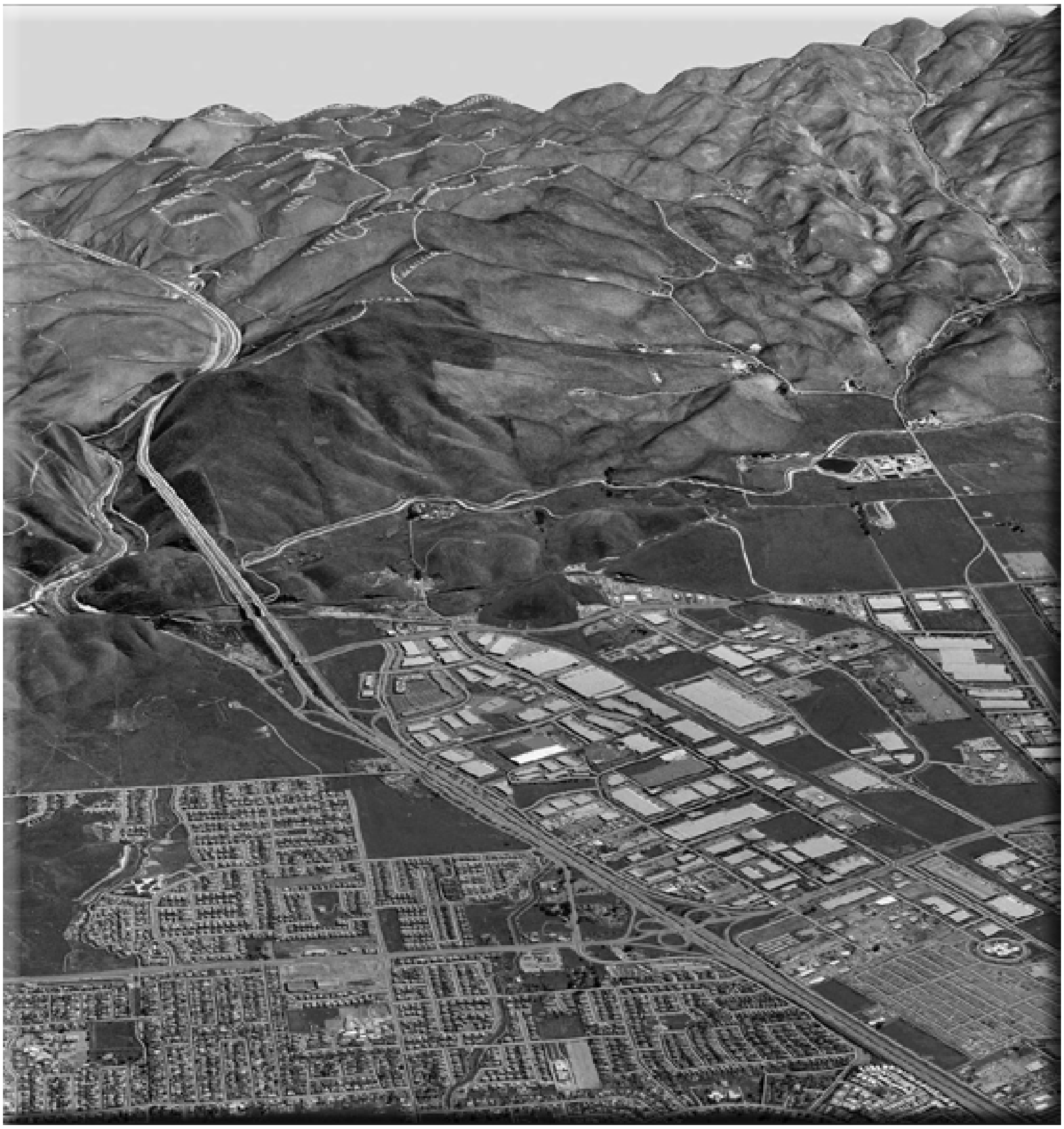
NEXTMap® Europe 63% collected

NEXTMap® Europe – Germany commercially available

Collected more NEXTMap® data in 2007 than previous five years combined

Signed partnership agreements with two major portable navigation device manufacturers

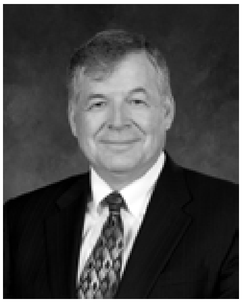
We continue to produce the ***most accurate*** *national 3D maps in the world.*



Our 3D road vectors enable adaptive front lighting systems that can reduce vehicle accidents, injuries, and deaths, as well as powertrain management applications that have demonstrated tremendous fuel-saving potential for the commercial trucking industry.

President's Message

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



Brian L. Bullock
President and CEO

Intermap Technologies has made significant progress in its vision to build the world's only complete database of national map data. In 2007, we collected 60 percent of the United States for the NEXTMap USA program and 63 percent of Western Europe for the NEXTMap Europe program. Germany joined England, Wales, and Scotland in their availability as off-the-shelf datasets from NEXTMap Europe in 2007. I am optimistic that, as more data for European countries is placed on the shelf in 2008, revenues from multi-client data licensing (MCDL) will increase significantly. Likewise, during 2007, we announced several agreements with major partners that demonstrate the wide-ranging applications enabled by our NEXTMap datasets.

In 2007, we reported total revenue of $33.8 million, a 55-percent increase from $21.8 million in 2006. Our revenue from contract services grew 86 percent in 2007 to $28.2 million; this component of revenue was highlighted by several Southeast Asia mapping contracts, as well as a $12.5 million U.S. government contract. By the end of 2007, Intermap had received more than $8.8 million in signed contract services work in which revenue will be recognized during 2008. The cash generated from these contracts helps support the ongoing investment in our NEXTMap programs, which reached record collection levels in 2007.

NEXTMap data was purchased by a larger number of customers during the year than ever before, including federal government agencies, county governments, utilities, wireless companies, and others. Intermap also received a $1.3 million contract from the National Geospatial-Intelligence Agency (NGA) for NEXTMap USA data in the Gulf Coast areas of Alabama, Florida, Louisiana, and Mississippi. To date, the NGA has purchased $6.1 million in multi-client data licenses from the NEXTMap database.

During 2007, we made significant investments in the areas of business development, sales, and marketing in support of automotive, portable navigation device, and risk assessment initiatives for the NEXTMap USA and NEXTMap Europe programs. This investment was made possible, in part, by strong support from our shareholders and the investment community. At the close of 2007, the Company had cash of $56.8 million and strong working capital of $65.0 million.

We established two goals crucial to the successful realization of our long-standing vision: ensure that complete NEXTMap Europe off-the-shelf datasets are available by the end of the first quarter of 2009, and make NEXTMap USA off-the-shelf datasets available by the end of 2009.

To accomplish these goals, we dramatically increased our rate of data collection in 2007. In fact, Intermap's annual data collection capacity – approaching 4 million square kilometers – is now greater than all of the NEXTMap data collected in the previous five years. A significant contributor to our increased capacity in 2007 was the introduction of a new collection platform that considerably increased our ability to gather data.

We also realized significant improvements in our interferometric processing and editing capacity, ensuring that the large amount of data we collect going forward can be processed accurately, efficiently, and quickly.

NEXTMap USA

NEXTMap USA, our largest NEXTMap program, includes terrain elevation and imagery data accurate to 1 meter or better and, when complete, will cover nearly 8 million square kilometers of the United States. We collected a total of 2.7 million square kilometers of data in 2007, increasing the total collected since the inception of the NEXTMap USA program to 4.8 million square kilometers, or 60 percent of the continental United States and Hawaii.

At the end of 2007, NEXTMap USA had off-the-shelf data available for four entire states, including California, Florida, Hawaii, and Mississippi. Partial datasets are available for Arizona, Louisiana, Michigan, New Mexico, North Dakota, Oklahoma, Oregon, Texas, West Virginia, and Wyoming.

Through December 31, 2007, total cumulative license revenue for NEXTMap USA data had grown to approximately $12.0 million. One of the licensees, the California High-Speed Rail Authority (CHSRA), purchased NEXTMap data to support preliminary environmental planning and engineering work on the design of a high-speed rail system linking northern and southern California. This purchase demonstrates the wide variety of possible uses for NEXTMap data.

NEXTMap Europe

The NEXTMap Europe program calls for the mapping of most of the European Union, including Austria, Belgium, Czech Republic, Denmark, England, France, Germany, Irish Republic, Italy, Luxembourg, Netherlands, Northern Ireland, Portugal, Scotland, Spain, Switzerland, and Wales. Once complete, these datasets will be the most uniformly accurate 3D digital maps of Europe in existence.

Data collection in support of the NEXTMap Europe program in 2007 totaled 840,000 square kilometers. This brings the total data collected since the inception of the program to approximately 1.5 million square kilometers, or 63 percent. Complete NEXTMap Europe data is currently available for the countries of England, Germany, Scotland, and Wales. Additional country datasets will continue to become available throughout 2008, with the entire NEXTMap Europe dataset completed by the end of the first quarter of 2009.

NEXTMap Europe – Germany

The focus on collecting elevation data for Germany was driven by increasing demands from that country's GIS, automotive, and insurance markets. For example, immediately following the availability of the dataset in 2007, GeoContent GmbH, Germany's only provider of quality aerial imagery covering the entire country, began distributing NEXTMap data throughout Germany to its extensive customer base.

Additionally, in early 2008, E-Plus Group GmbH, Germany's third-largest wireless network provider, purchased our entire Germany dataset to help determine precise mobile phone tower placements, accurate predictions of field strength and coverage, and optimized antennae locations and characteristics using our 3D digital mapping data. This application of our data results in a higher level of service for mobile phone customers.

Portable Navigation Devices (PNDs)

In the third quarter of 2007, Intermap launched AccuTerra, a product that provides existing outdoor GPS and PND products with detailed maps, land coverage, digital terrain data, and off-road points-of-interest (POI). The Company has no plans to offer a GPS or PND device; rather, we will offer AccuTerra recreational content under license to manufacturers of these devices.

We have already entered into relationships with two manufacturers of recreational GPS / PND devices. In February 2008, we announced an agreement with Magellan to offer its customers access to Intermap's AccuTerra recreational content for owners of its GPS devices. AccuTerra content will be available directly from Magellan's Web site, allowing its customers to download the most feature-rich map data available on the market today.

The Company also announced a similar relationship with Bushnell Outdoor Products, whose customers will be able to access our AccuTerra recreational map data for download to their current devices.

We are currently developing a 3D version of AccuTerra that allows users to visualize trails and other features in the context of the natural terrain in which they're situated. The extension of PNDs to include visualization in three dimensions appeals to off-road vehicle enthusiasts, hikers, hunters, fishermen, skiers, and mountaineers. Both Magellan and Bushnell are expected to release additional devices that leverage AccuTerra data later in 2008.

We are excited about these new PND relationships and optimistic about the increasing interest in our data. Rapid developments in 3D visualization are driving consumer awareness and market adoption. Market acceptance of AccuTerra has exceeded our expectations. Intermap is now in discussions with additional PND manufacturers looking to enter or expand in the recreational markets for GPS and PND devices.

3D Visualization for the Internet and Computer Games

Map and location-related searches on the Internet are some of the most frequently made queries today. The emerging recognition and growing usage of interfaces like Microsoft Virtual Earth™ serve as exciting indicators for Intermap's future success. These online viewing services are introducing millions of people around the globe to the profound visual effect provided by 3D maps.

In 2007, Microsoft launched an enhanced Virtual Earth 3D Web-based viewing platform based on our NEXTMap data for all of Great Britain. The resulting product delivers a more seamless and accurate 3D experience for all Internet users visiting Microsoft's Live Search Maps for England, Scotland, and Wales. Our relationship with Microsoft paves the way for the delivery of additional value-added products for the business and consumer markets within Europe and the United States. The number of potential applications is enormous.

Intermap's data has also entered the computer games industry. We recently signed an agreement with FS Dreamscapes for the creation of highly detailed 3D terrain of the United States and Europe, called "NEXTMap® ProMesh™," for Microsoft Flight Simulator X. With a vertical accuracy of better than one meter, the data provides users with a uniquely realistic viewing experience. The terrain detail achieved with our data is unprecedented; for users, it will be like looking out the window of an actual aircraft in flight.

FS Dreamscapes brought the flight simulator product for Hawaii to market in February 2008. Products for California, Arizona, New Mexico, Texas, Louisiana, and Florida will follow quickly. Products for Germany, Italy, and France are scheduled for delivery by the end of 2008. The remainder of the contiguous United States will be available in 2009.

Risk Management and Insurance Market

Intermap is developing a version of its successful flood modeling application, pioneered in Great Britain, for other European countries. During the third quarter, we reached an agreement with SwissRe for use of its flood modeling algorithms within our application, as well as its quality assurance support for all of Europe.

We have recently completed demonstration models of select sections of Germany and Switzerland to drive this application forward. Our application's easy-to-use 3D visualization tool is already being used by existing customers for flood risk applications in the Czech and Slovak Republics.

Both European and U.S. insurance companies can use NEXTMap's superior flood risk information to better define possible risks so they can improve their portfolio management and decisions related to the purchase of reinsurance coverage. The increased knowledge can result in a net reduction of annual costs and more efficient risk management.

Advanced Driver Assistance Systems (ADAS)

To enable the rapidly expanding market for next-generation automotive safety applications, Intermap is creating road centerlines for all classes of roads in the United States and Europe. During 2007, we announced demonstrator agreements with several industry partners in support of emerging Intelligent Transportation Systems (ITS) applications with 3D road vector data derived from our NEXTMap core data. The highly accurate 3D road data enables an automobile's electronic system to anticipate the road ahead. Awareness of pending road geometry provides a tremendous input to visualization, performance, and advanced driver assistance applications.

In 2007, we provisioned a grant to Auburn University to investigate and evaluate ways to save fuel using our 3D road data. The project's initial focus was on achieving simulation results and designing a predictive cruise controller and automatic gear shifting algorithm. This algorithm is used to calculate optimal vehicle speed and gear selection that improves fuel economy and lowers operating costs for commercial trucks. Simulation results show a potential increase in fuel performance of 3 percent and a possible reduction in diesel fuel consumption in the United States by 1 billion gallons annually if every truck was equipped with this technology. These initial results have led to a continuation of this collaborative study with not only Auburn University, but also with commercial partners in the trucking industry. We have also commissioned a project at Clemson University to conduct a similar investigation for hybrid vehicle technology.

Summary

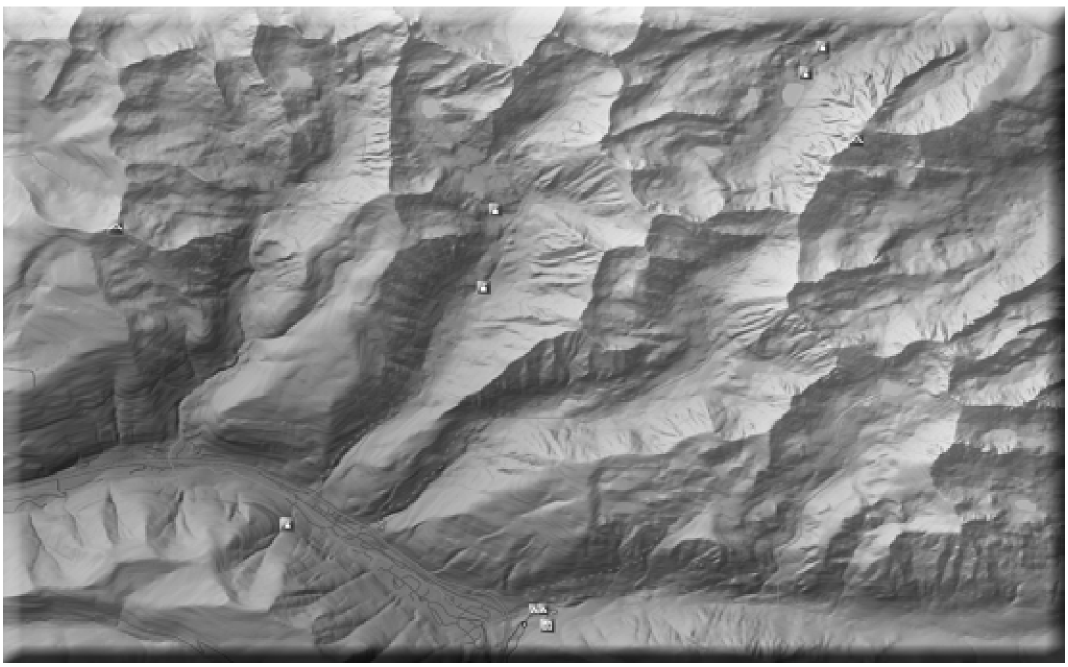
We are confident that the growing demand for our NEXTMap data, as it continues to enable next-generation applications within strategically targeted commercial and government sectors, will help us realize, and even exceed, our growth expectations – not only for 2008, but well into the next decade. I would also like to express my gratitude to Auburn University for its involvement in the study of future technologies enabled by our NEXTMap data. We will continue to work closely with multiple partners to research and expand the integration of our 3D datasets into future applications.

Lastly, I offer special thanks to our shareholders and the entire Intermap team for their unrivalled commitment to bringing our unique vision to fruition.

Sincerely,

Brian L. Bullock
President and Chief Executive Officer

"*2007 was a year of* ***infrastructure building*** *for Intermap.*"



The layering functionality of AccuTerra's GPS basemaps allows users to see the precise location of property boundaries, roads, trails, and water features, in addition to points of interest like campgrounds, ranger stations, and much more.

Management's Discussion and Analysis

For the year ended December 31, 2007

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 27, 2008, and should be read together with the audited Consolidated Financial Statements for the years ended December 31, 2007, and 2006, together with the accompanying notes. Unless otherwise noted, the results reported herein have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are expressed in U.S. dollars.

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

FORWARD-LOOKING STATEMENTS

In the interest of providing Intermap shareholders and potential investors with information about the Company and its subsidiaries, including management's assessment of Intermap's and its subsidiaries' future plans and operations, certain information provided in this MD&A constitutes forward-looking statements or information (collectively, "forward-looking statements"). Forward-looking statements are typically identified by words such as "anticipate," "expect," "project," "estimate," "forecast," "plan," "intend," "target," "believe," and similar words suggesting future outcomes or statements regarding an outlook. Although Intermap believes that these forward-looking statements are 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.

Intermap's forward-looking statements are subject to risks and uncertainties pertaining to revenue fluctuations, loss of key customers, breakdown of strategic alliances, information technology security, loss of proprietary technology, economic conditions, competing technologies, exchange rates, interest rates, and international and political considerations, including but not limited to those risks and uncertainties discussed in this MD&A, the Company's Annual Information Form, and the Company's other filings with securities regulators. The impact of any one risk, uncertainty, or factor on a particular forward-looking statement is not determinable with certainty as these are interdependent and Intermap's future course of action depends on management's assessment of all information available at the relevant time. Except to the extent required by law, Intermap assumes no obligation to publicly update or revise any forward-looking statements made in this MD&A or otherwise, whether as a result of new information, future events, or otherwise. All subsequent forward-looking statements, whether written or oral, attributable to Intermap or persons acting on the Company's behalf, are expressly qualified in their entirety by these cautionary statements.

BUSINESS OVERVIEW

Intermap is a digital mapping company creating uniform high-resolution 3D digital models of the Earth's surface. The Company is proactively remapping entire countries and building uniform national databases called NEXTMap. Our digital maps are used in a wide range of applications, including geographical information systems (GIS), engineering, automotive, personal navigation devices, insurance risk assessment, oil and gas, hydrology, environmental planning, wireless communications, transportation, aviation, and 3D visualization. The products are also used to improve the positional accuracy of airborne and satellite images. Working for private industry, governments and individual consumers worldwide, Intermap employs interferometric synthetic aperture radar (IFSAR) mapping system technology which provides the ability to digitally map large areas accurately and quickly and acquire data at any time of the day including overcast and dark conditions. Intermap generates maps, digital elevation models, and orthorectified images, and provides supporting services using its proprietary airborne IFSAR mapping technology.

NEXTMap USA

During 2007, we continued to make significant progress towards the completion of our NEXTMap USA program, the largest NEXTMap program to date. The program calls for the mapping of the entire continental United States and Hawaii, building on the successes of our NEXTMap® Britain program, which was completed in 2003. The NEXTMap USA program includes terrain elevation and imagery data accurate to 1-meter or better, covering nearly 8.0 million square kilometers of the United States.

At the end of 2007, the NEXTMap USA program has data available off the shelf for the entire states of California, Florida, Mississippi, and Hawaii. We also have data available for portions of the states of Arizona, Louisiana, Michigan, North Dakota, New Mexico, Oklahoma, Oregon, Texas, West Virginia, and Wyoming representing over 2.3 million square kilometers of area or approximately 30 percent of the entire NEXTMap USA program. We have completed collection of approximately 4.8 million square kilometers, or 60 percent of the entire NEXTMap USA program. We expect to have the collection of the data completed by the end of the second quarter of 2009, with the entire NEXTMap program completed by the end of 2009.

The gross amount of costs that are capitalized under the program include direct costs, overhead, and depreciation. NEXTMap USA costs capitalized by period during 2007 and 2006 are as follows:

	Q1	Q2	Q3	Q4	Total
2007	$3.5M	$4.2M	$4.1M	$4.9M	$16.7M
2006	$3.1M	$3.0M	$1.2M	$2.3M	$9.6M

The net book value of the NEXTMap USA dataset at December 31, 2007, was $41.3 million and at December 31, 2006, it was $28.1 million. We currently estimate the total cost of the base NEXTMap USA program will be approximately $80 million, with additional costs expected for added features such as a national color image layer and 3D road vectors. The funding of this program is expected to occur primarily through a combination of existing cash resources, customer data sales, and ongoing operations.

NEXTMap Europe

During 2007, we ramped up our efforts on the NEXTMap Europe program. The program calls for the mapping of 17 European countries, including Austria, Belgium, Czech Republic, Denmark, England, France, Germany, Irish Republic, Italy, Luxembourg, Netherlands, Northern Ireland, Portugal, Spain, Scotland, Switzerland, and Wales. Data collection priorities in Europe are being assigned to areas with the strongest customer demands. The NEXTMap Europe program will be built with the same specifications as NEXTMap USA and includes an area of approximately 2.4 million square kilometers.

NEXTMap Europe currently has data available off the shelf for the entire countries of England, Wales, Scotland, and Germany. We completed collection of approximately 1.5 million square kilometers of data at the end of 2007 representing approximately 63 percent of the NEXTMap Europe program.

During the first six months of 2008, we are planning on the collection of data in 13 countries within Europe. These data collection plans will lead to the completion of the first phase of the NEXTMap Europe dataset. We expect Italy and France will be available for countrywide sales by the end of the third quarter of 2008, followed shortly thereafter with completed datasets available for Switzerland, Northern Ireland, Irish Republic, Luxembourg, Denmark, Belgium, Netherlands, Czech Republic, and Austria. The entire NEXTMap Europe program is expected to be completed by the end of the first quarter 2009.

The gross amount of costs that are capitalized under the program includes direct costs, overhead, and depreciation. NEXTMap Europe costs capitalized by period during 2007 and 2006 are as follows:

	Q1	Q2	Q3	Q4	Total
2007	$0.4M	$2.4M	$3.1M	$3.6M	$9.5M
2006	$0.1M	$0.4M	$1.3M	$1.1M	$2.9M

The net book value of the NEXTMap Europe dataset at December 31, 2007, was $13.8 million and at December 31, 2006 was $4.3 million. Since the inception of the program, approximately 1.5 million square kilometers of data have been collected and either completely or partially processed. We currently estimate the total cost of the program to be approximately $26 million (excluding the costs that were incurred to build the NEXTMap Britain dataset completed in 2003). The funding of this program is expected to occur primarily through a combination of existing cash resources, customer data sales and ongoing operations. The NEXTMap Europe data collection and processing will continue to ramp up during 2008, and the collection of the entire dataset is expected to be completed during the second quarter of 2008.

Our NEXTMap Britain program is part of the overall NEXTMap Europe initiative and covers approximately 230 thousand square kilometers of area and includes border-to-border coverage of England, Wales, and Scotland. This dataset was completed in 2003 and revenue generated from the sale of data from this program recovered the total costs capitalized to build the dataset within eight months of its completion. Data licensing revenue recognized from the NEXTMap Britain program in 2007 and 2006 are as follows:

	Q1	Q2	Q3	Q4	Total
2007	$0.2M	$0.2M	$0.2M	$0.2M	$0.8M
2006	$0.1M	$0.3M	$0.3M	$0.2M	$0.9M

The net book value of the NEXTMap Britain data included in the NEXTMap Europe dataset at December 31, 2007, was $0.5 million and at December 31, 2006, was $1.1 million.

NEXTMap Production

During the second quarter of 2007, a second Learjet aircraft and a second King Air aircraft equipped with IFSAR mapping technology were put into service, providing a doubling in data collection capabilities for the Company. The NEXTMap data processing capabilities will continue to ramp up during the first half of 2008, with full capacity expected to be in place early in the third quarter. In view of our expected future investment in the NEXTMap programs and the product offerings arising from such programs, we may seek additional equity or debt financing in the future for the funding of additional NEXTMap areas, the addition of new attributes to our NEXTMap datasets, and the expansion of our products related to the NEXTMap datasets.

Contract Services

Our contract services business typically involves a client requesting digital map data for a specific location outside our NEXTMap area of collection. This contract services business currently remains the largest source of revenue for Intermap and results primarily from government funding in the areas of national mapping and national defense. However, we believe revenue from our NEXTMap databases will continue to grow and become an increasingly larger percentage of overall revenue in the future. As we have experienced historically, uncertainty surrounding the timing, priorities, and amounts of funding from government entities regarding our contract services work can create sporadic and unpredictable revenue from period to period.

The contracted amounts and timing of contract awards are the primary reason for the variation in our financial performance during 2007 when compared with 2006. As of December 31, 2007, we had received over $8.8 million in signed contract services work for which revenue will be recognized throughout 2008. In addition to these existing contracts, we expect to receive new contracts during the year from several government entities around the world. However, the magnitude and timing of such contracts and the revenue from these contracts remains difficult to predict.

Even though the growth of revenue in both our contract services business and from the licensing of our NEXTMap database remains a continued focus for us, our primary goal over the next two years is the completion of the NEXTMap USA and NEXTMap Europe datasets. With the completion of these datasets, we believe significant revenue opportunities can develop that would not otherwise be available to us without the complete national coverage afforded to us by the NEXTMap programs.

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

ANNUAL FINANCIAL INFORMATION

Selected Annual Information

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

U.S. $ millions except per share data		2007		2006		2005
Revenue:						
Contract services	$	28.2	$	15.1	$	10.6
Multi client data licenses		5.6		6.7		4.4
Total revenue	$	33.8	$	21.8	$	15.0
Net loss	$	(8.9)	$	(11.0)	$	(6.5)
EPS basic and diluted	$	(0.22)	$	(0.30)	$	(0.32)
Assets:						
Multi client data library	$	55.1	$	32.4	$	23.0
Total assets	$	155.5	$	111.9	$	105.1
Total long term liabilities (including capital lease obligations)	$	4.1	$	1.9	$	2.1

Revenue

Consolidated revenue for the year ended December 31, 2007, totaled $33.8 million compared to $21.8 million for 2006, representing a 55 percent increase.

Contract services revenue for the year ended December 31, 2007, increased to $28.2 million compared to $15.1 million in 2006. The increase was primarily the result of several contracts received for mapping projects in Southeast Asia and a $12.5 million U.S. government contract announced during the third quarter of 2007 to provide 3D digital elevation data and orthorectified radar imagery for an international project.

Multi-client data licenses (MCDL) revenue for the year ended December 31, 2007, decreased to $5.6 million from $6.7 million for the same period in 2006. The decrease resulted primarily from one large statewide sale of California data during 2006, without a similar statewide sale in 2007. During 2007, approximately 80 percent of the MCDL revenue was associated with the NEXTMap USA program, 14 percent was associated with the NEXTMap Britain program and 5 percent was associated with our Indonesian dataset. For the same period in 2006, approximately 76 percent of the MCDL revenue was associated with the NEXTMap USA program, 14 percent was associated with the NEXTMap Britain program and 9 percent was associated with our Indonesian dataset.

Cost of Services

Cost of services expense for the year ended December 31, 2007, totaled $8.3 million compared to $7.9 million for the same period in 2006. The $0.4 million increase in cost resulted primarily from an increase in the costs to operate expanded aircraft operations and process an increased amount of data related to contract service work. The largest specific areas of increase were in (i) additional direct labor used for aircraft operations and map data processing, (ii) aviation services to operate and maintain the aircraft, (iii) field crew travel-related costs associated with the multiple locations of operations during the year, and (iv) contracted support services to help fulfill specific elements of certain mapping contracts in international locations.

Research and Development

Research and development (R&D) expenditures include engineering personnel and their associated costs. For the years ended December 31, 2007, and 2006, R&D costs were $4.2 million and $2.7 million, respectively. The increase in 2007 compared to the same period in 2006 is the result of (i) a dedicated research project that successfully improved the efficiency of aircraft data collection, which contributed to higher efficiencies in contract service work and in turn is expected to result in an overall reduction in the costs to create the NEXTMap datasets, (ii) the initiation of a dedicated research project to create the next-generation IFSAR mapping system, and (iii) the expansion of our software development efforts in service solutions associated with our NEXTMap datasets.

Sales, General, and Administrative

Sales, general, and administrative (SG&A) expenses for the year ended December 31, 2007, were $23.9 million compared to $19.0 million for 2006. All indirect expenses such as production and operations overhead, database infrastructure costs, advertising, business development, sales, marketing, finance, and administrative costs are included in this category. Gross SG&A expenses for the period ended December 31, 2007, and 2006, prior to capitalization, were $31.0 million and $22.8 million, respectively. The $8.2 million increase in gross SG&A expense during the year ended December 31, 2007, compared to the same period in 2006 resulted primarily from an increase in the costs of personnel to fulfill the operating objectives associated with the NEXTMap initiatives. Increases to personnel-related costs of $5.4 million during 2007 were the most significant area of increase. The majority of this increase was attributed to the areas of business development, sales and marketing in support of our automotive, personal navigation device (PND), and insurance risk assessment initiatives.

Personnel

Consolidated headcount was 613 at December 31, 2007, an increase from 352 at December 31, 2006. This increase is primarily driven by (i) a increase in operations personnel of 124 employees to support expanded data collection and processing capabilities generated from the addition of two IFSAR-equipped aircraft that entered service during the year (53 percent increase), (ii) an increase of 27 employees in the areas of software engineering and product development to support software-based solutions related to the sale of the NEXTMap datasets (135 percent increase), (iii) an increase of 78 employees in business development including the areas of automotive, personal navigation devices, and insurance risk management, to fulfill the sales objectives of the NEXTMap initiatives (409 percent increase), and (iv) an increase of 11 employees in sales and marketing to fulfill the sales and marketing requirements with the expanded MCDL data (52 percent increase). Indirect salaries and related personnel costs for the year ended December 31, 2007 were $16.6 million, compared to $11.2 million for the same period in 2006.

Non-cash stock compensation for the year ended December 31, 2007, totaled approximately $2.2 million and for the same period in 2006 totaled $2.1 million.

Depreciation of Property and Equipment

Depreciation expense for each of the years ended December 31, 2007, and 2006 totaled $4.8 million and $3.5 million, respectively. The increase in depreciation expense is due to the addition of approximately $10.8 million of depreciable assets during 2007, the largest of which included a second Learjet and its installed IFSAR radar system that went into service during the second quarter of 2007. This increase in depreciation expense was partially offset by an increase in the capitalization of depreciation to $2.3 million during the year ended December 31, 2007, compared to $1.5 million during the same period in 2006. The capitalization of depreciation expense relates to the creation of the multi-client data library, and specifically relates to the dedication of internal resources (aircraft, radar, and production equipment) for the purpose of collecting and processing NEXTMap data.

Amortization of Multi-client Data Library

Amortization expense of the multi-client data library during the year ended December 31, 2007, increased to $4.5 million from $3.1 million during the same period in 2006. The increase in amortization expense was primarily due to an increase in amortization associated with the NEXTMap USA dataset, which had approximately $16.7 million of additional costs capitalized to the asset during the year ended December 31, 2007. The result was an increase to the NEXTMap USA amortization expense to $3.8 million for the year ended December 31, 2007, compared to $2.8 million for the same period in 2006. See "Critical Accounting Policies and Estimates – Multi-client Data Library."

Interest Income and Expense

Interest income during the year ended December 31, 2007, was the result of the investment of surplus cash received from equity financings completed during the fourth quarter of 2005 and during the third quarter of 2007 (see "Liquidity and Capital Resources" below). The investment of these surplus funds earned $2.3 million in interest income during the year ended December 31, 2007, compared to $2.6 million during the same period in 2006. Interest expense for the year ended December 31, 2007, totaled $145 thousand compared to $175 thousand for the same period in 2006. The decrease in interest expense in 2007 compared to 2006 resulted from the normal recurring payments on leases and bank loans, which reduced the overall outstanding debt obligations of the Company.

Gain on Foreign Currency Translation

We continuously monitor the level of foreign currency assets and liabilities carried on the Company's balance sheet in an effort to minimize as much of the foreign currency translation exposure as possible. Steps taken to minimize translation effects have historically included (i) the conversion of certain long-term debt instruments from Canadian dollar to U.S. dollar denominations, and (ii) the movement of cash and cash investments between Canadian and U.S. dollar currencies. The result is a natural currency hedge for the Company.

The functional currency for the Company is the U.S. dollar. During the year ended December 31, 2007, a foreign currency translation gain of $0.9 million was recorded compared to a gain of $1.2 million for the same period in 2006. These gains were primarily the result of gains on cash held in Canadian dollars during the year. At December 31, 2007, the Company held cash in Canadian dollars of approximately $20.3 million.

Income Tax

We reported $80 thousand of current income tax expense during the year ended December 31, 2007, as compared to $63 thousand during the same period in 2006. These taxes relate to taxable income generated from our Indonesian subsidiary. In addition during 2007, a future income tax recovery of $390 thousand was recorded resulting from the amortization of intangible assets acquired in a business acquisition (see "Business Acquisition") that are not recognized for tax purposes, and due to the determination during 2007 that the recognition of a deferred tax asset related to tax loss carried forward at the Company's German subsidiary was "more-likely-than-not" to be realizable. There were no income tax expenses from any other operations during the years ended December 31, 2007, or 2006 as there were losses incurred in both the United States and Canada. The benefit of unused tax losses has not been recognized in the financial statements, as the potential benefit has been offset by a valuation allowance.

Amounts Receivable and Unbilled Revenue

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

Trade amounts receivable and unbilled revenue in the aggregate, net of deferred revenue, increased to $16.4 million at December 31, 2007, from $8.9 million at December 31, 2006. These amounts represent 158 days sales at December 31, 2007, compared to 111 days sales at December 31, 2006, and reflect specific project billing milestones on current contracts that were in progress on those dates. The increase in unbilled revenue was primarily the result of one large international contract with the U.S. government that will not reach a billing milestone until the first quarter of 2008.

Capital Lease Obligations and Long-term Debt

Capital lease obligations and long-term debt totaled $4.2 million at December 31, 2007, compared to $2.2 million at December 31, 2006. The increase is the result of (i) a new $2.5 million (C$2.5 million) bank loan relating to one of our aircraft and its installed IFSAR mapping system, and (ii) two new capital leases for the financing of computer storage equipment during 2007. These additions were partially offset by recurring payments on outstanding capital lease obligations and long-term bank loan obligations during the year.

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 which 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 upon as an indication of future performance.

US $ millions except per share data	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	**Q4 2007**
Revenue:								
Contract services	$ 1.0	$ 2.5	$ 6.2	$ 5.4	$ 5.1	$ 5.9	$ 11.9	**$ 5.3**
Multi client data licenses	1.1	1.2	3.2	1.2	1.1	1.2	2.4	**0.9**
Total revenue	$ 2.1	$ 3.7	$ 9.4	$ 6.6	$ 6.2	$ 7.1	$ 14.3	**$ 6.2**
Net income (loss)	$ (2.7)	$ (3.3)	$ (1.3)	$ (3.7)	$ (2.8)	$ (4.3)	$ 2.6	**$ (4.4)**
Net income (loss) per share basic and diluted	$ (0.08)	$ (0.09)	$ (0.03)	$ (0.10)	$ (0.08)	$ (0.12)	$ 0.06	**$ (0.08)**

Revenue

For the fourth quarter of 2007, revenue was $6.2 million as compared to $6.6 million for the same period in 2006. The decrease in revenue resulted primarily from a decrease in the amount of MCDL data sold during the fourth quarter of 2007, in which revenue was $0.9 million compared to $1.2 million during the same period in 2006. The decrease on a year-over-year basis is directly related to a reduction in sales of NEXTMap USA data as a result of two contracts received from the U.S. government during the fourth quarter of 2006 that did not reoccur at the same level during the fourth quarter of 2007.

Cost of Services

Cost of services totaled $1.4 million for the fourth quarter of 2007 compared with $2.6 million for the same period in 2006. The decrease in cost of services expense during the fourth quarter of 2007 compared to the same period in 2006 resulted primarily from a decrease in the costs to operate aircraft and a decrease in the processing requirements for data related to contract service work. The largest specific areas of decrease were in (i) aircraft fuel costs, (ii) aircraft maintenance costs, and (iii) materials and supplies associated with the data collection activities of the Company.

Research and Development

Research and development costs for the quarter ended December 31, 2007, were $1.3 million compared with $0.9 million for the same period in 2006. The increase in the fourth quarter of 2007 compared to the same period in 2006 is primarily the result of (i) the initiation of a dedicated research project to create the next-generation IFSAR system, and (ii) expansion of our software development efforts in service solutions associated with our NEXTMap datasets.

Sales, General, and Administrative

Sales, general, and administrative (SG&A) expenses for the fourth quarter of 2007 were $6.6 million compared to $5.7 million for the same period in 2006. All indirect expenses are included in this category, including production and operations overhead, database infrastructure costs, advertising, business development, sales, marketing, finance, and administrative costs. Gross SG&A expenses for the quarter ended December 31, 2007, and 2006, prior to capitalization, were $9.0 million and $6.8 million, respectively. The $2.2 million increase in gross SG&A expense resulted primarily from a $1.4 million increase to fulfill the sales objectives associated with the NEXTMap initiatives. The majority of this increase was attributable to the areas of business development, sales and marketing in support of the personal navigation device (PND), and insurance risk assessment initiatives.

Depreciation of Property and Equipment

For the fourth quarter of 2007, depreciation of property and equipment expense increased by approximately $113 thousand as compared to the same period in 2006. The increase in depreciation expense is directly attributable to assets entered into service during the prior and current year and the associated depreciation of those assets. This increase in depreciation expense was partially offset by an increase in the capitalization of depreciation expense to $732 thousand in the fourth quarter of 2007, compared with $395 thousand in the fourth quarter of 2006. The capitalization of depreciation expense is associated with the build of the multi-client data library and is specifically related to the dedication of internal resources (aircraft, radar, and production equipment) for the purpose of acquiring and processing NEXTMap data.

Amortization of Multi-client Data Library

Amortization expense of the multi-client data library during the quarter ended December 31, 2007, increased to $1.1 million from $0.8 million during the same period in 2006. The increase in amortization expense was primarily due to an increase in amortization associated with the NEXTMap USA dataset, which totaled $0.9 million for the quarter ended December 31, 2007, compared to $0.6 million for the same period in 2006. Amortization of the NEXTMap dataset increases in relation to the increase in size of the underlying MCDL asset on the balance sheet and the amount of MCDL revenue recognized in a period. See "Critical Accounting Policies and Estimates – Multi-client Data Library."

Interest Income and Expense

Interest income during the fourth quarter of 2007 resulted from the investment of surplus cash received from the equity financing completed during the third quarter of 2007 (see "Liquidity and Capital Resources" below). The investment of the surplus cash earned $562 thousand in interest income during the quarter ended December 31, 2007, compared to $644 thousand during the same period in 2006. Interest expense for the quarter ended December 31, 2007, totaled $36 thousand compared to $37 thousand for the same period in 2006. The decrease in interest expense in 2007 compared to 2006 resulted from the normal recurring payments on equipment leases and bank loans, which created a reduction in the outstanding debt obligations of the Company.

CONTRACTUAL OBLIGATIONS

Contractual obligations include (i) operating leases on office locations and aircraft, (ii) capital leases on computer equipment and software, and (iii) long-term debt obligations. Principal and interest repayments of these obligations are as follows:

		Payments due by period (US $ thousands)			
Contractual obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Operating leases	$ 3,725	$ 1,551	$ 2,010	$ 164	$ -
Capital leases	500	234	266	-	-
Long-term debt	4,357	976	2,301	1,080	-
Total	$ 8,582	$ 2,761	$ 4,577	$ 1,244	$ -

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 accounts receivable, unbilled receivables, accounts payable and deferred revenue; (ii) investing activities, including the investment in the multi-client data library and the purchase of capital assets; and (iii) financing activities, including bank credit and the issuance of capital stock.

Cash used in operations during the year ended December 31, 2007, totaled $3.7 million compared to $4.6 million during the same period in 2006. The total cash used in operations during 2007 was impacted by changes in working capital, specifically an increase in unbilled revenue.

Net cash generated by financing activities totaled $48.0 million during the year ended December 31, 2007, compared to $10.1 million during the same period in 2006. The cash generated from financing activities during 2007 relates to (i) the completion of a fully subscribed share issuance of 6,183,097 Class A common shares for total gross consideration of $35.4 million (C$37.1 million), (ii) the receipt of $10.6 million (C$10.7 million) during the fourth quarter of 2007 from the exercise of 2,005,656 Class A common share purchase warrants related to a March 2005 private placement, and (iii) a $2.5 million (C$2.5 million) bank loan in the fourth quarter relating to the financing of one of our aircraft and its installed IFSAR radar system. The cash generated during 2006 was primarily the result of the issuance of 1,899,600 Class A common shares from the exercise of outstanding warrants and agent options issued in connection with a March 2004 and a November 2005 equity share issuance.

Net cash used in investing activities totaled $36.7 million during the year ended December 31, 2007, compared to $22.1 million during the same period in 2006. Cash used during the year ended December 31, 2007, was primarily for (i) investment in the multi-client data library of $24.9 million ($11.0 million in 2006), (ii) investment in aircraft modifications of $2.6 million ($6.2 million in 2006), (iii) investment in computer/storage equipment and software of $4.7 million ($2.4 million in 2006), (iv) development of next-generation IFSAR radar systems of $2.4 million ($1.9 million in 2006), (v) capitalized investment in software and other programs of $0.7 million ($0.4 million in 2006), and (vi) business acquisition costs for the purchase of a Czech Republic-based software development company of $1.3 million ($Nil in 2006).

The cash position of the Company at December 31, 2007 (cash and cash equivalents), was $56.8 million compared to $48.2 million at December 31, 2006. Current assets at December 31, 2007, were $75.0 million compared to $59.7 million at December 31, 2006. Working capital increased to $65.0 million as of December 31, 2007, from $51.0 million as of December 31, 2006, and at December 31, 2007, there were $39.0 million in short-term investments held by the Company with a maturity of 90 days or less.

The current business plan contemplates revenue growth in 2008 attributable primarily to increases in multi-client data library sales. Management believes that existing cash resources of $56.8 million as of December 31, 2007, and cash generated from the sale of the Company's products and services will be sufficient to fund operations through at least December 31, 2008.

BUSINESS ACQUISITION

On March 1, 2007, an agreement was entered into to acquire all of the registered capital of MultiMedia Computer s.r.o. ("MMC"), a Czech Republic-based software development company. The acquired business included a unique software development platform used to manage, analyze, and visualize 3D digital elevation data. The platform is also used in the development of flood mapping applications within the insurance risk management industry. All of the registered capital of MMC was acquired for $1.25 million in cash and $0.5 million in equity comprised of 101,238 Class A common shares.

The MMC acquisition agreement provides for additional contingent compensation to be paid to the seller based on future sales of the MMC technology for a period ending five years from the date of closing. The contingent compensation is based on a percentage of the sales price allocated to the acquired technology with such percentage totaling 20 percent for each of the first three years and 10 percent for each of the last two years. The minimum amount of contingent compensation to be paid per year is $25 thousand and all contingent compensation is subject to the continuing employment of the seller by the Company.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Revenue Recognition

Revenue from fixed price contracts is recognized using the percentage of completion method of accounting, based on the ratio of costs incurred to estimated final costs. The utilization of the percentage of completion method of accounting 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. Project losses are measured by the amount by which the estimated costs of the project exceed the estimated total revenue for the project.

Contracts that include elements of multi-client data library sales and either fixed price or consulting arrangements are divided into separate units of accounting based on the fair value of the undelivered elements.

Multi-client Data Library

A multi-client data library is created resulting from the collection and processing of NEXTMap digital map data. All ownership rights to this data are retained by the Company and the data is licensed to customers on a non-transferable basis. All of the direct costs of acquiring and processing the data are capitalized as an investment in the multi-client data library. These costs include overhead associated with the collection and processing of the data and the depreciation of the property and equipment used in the production of the data.

Estimates of expected revenue, costs, and asset life are developed to determine the appropriate capitalization and amortization policies to be used with the multi-client data library asset. These estimates of revenue and cost affect the conclusions developed in the ongoing impairment analysis of the MCDL asset.

For each NEXTMap program other than NEXTMap Britain (see below), the capitalized costs are charged to amortization of multi-client data library, based on the percentage of total estimated costs to total estimated revenues, multiplied by actual revenues in the period. In the event the percentage changes as a result of a change in the estimate of total costs and/or total revenues, amortization is adjusted accordingly.

Any costs which remain unamortized 18 months after being capitalized are charged to amortization of multi-client data library on a monthly basis at the greater of (i) a straight-line monthly amortization charge over a period not to exceed 60 months, and (ii) the calculated charge based on revenues during the period.

The total maximum amortization period of 60 months represents the minimum estimated useful life over which benefits from the data are expected to be derived. The carrying value of the multi-client data library is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No adjustments have been recorded against the net book value of the multi-client data library to date.

Data in the United Kingdom was collected and processed during 2001, 2002, and 2003, creating the NEXTMap Britain dataset. Only 60 percent of the direct costs of the project were capitalized due to uncertainties associated with the use of recently updated radar technology and the first-time collection and processing of data in a large contiguous area the size of Great Britain. Management believes that this capitalization policy is appropriate based on the unknown circumstances at the time of the project. The straight-line amortization of the amounts capitalized commenced with the market release of the data and is being amortized over the estimated useful life of the asset. The carrying value of the NEXTMap Britain dataset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No adjustments to the recorded value of the asset have been necessary to date.

Cost of services expenditures that were capitalized for NEXTMap programs totaled $18.3 million during the year ended December 31, 2007, and $10.6 million for the same period in 2006. The increase in cost of services capitalization on a year-over-year basis was the result of increases in collection and processing related to the NEXTMap USA and NEXTMap Europe datasets, as well as costs incurred to staff and to support an additional IFSAR-equipped aircraft platform placed into service during 2007 to increase NEXTMap data collection capabilities.

NEW ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the following Canadian Institute of Chartered Accountants accounting pronouncements: Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 1530, Comprehensive Income; and Section 3251, Equity. As required by the implementation of these new standards, the comparative Consolidated Financial Statements have not been restated. The adoption of these pronouncements has resulted in no significant changes to the financial statements.

Intangible assets represent assets acquired in the business acquisition of MMC, a Czech Republic based software development company. All intangible assets held are amortized on a straight line basis over a period of five years, based on their estimated life. The amortization method and estimate of the useful life of intangible assets are reviewed annually.

RECENT ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET ADOPTED

Capital Disclosures, Financial Instruments-Disclosures and Presentations

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 "Capital Disclosures"; Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

OUTSTANDING SHARE DATA

The Corporation'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 December 31, 2007, 46,070,173 Class A common shares were issued and outstanding. There are no preferred shares currently issued and outstanding.

As of December 31, 2007, 2,787,292 stock options are outstanding in the Company's stock option plan with a weighted average exercise price of C$5.87. In addition, there are 25,000 warrants outstanding that are exercisable at C$6.30, and entitle each holder to one Class A common share.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure Control Risks

Disclosure controls and procedures have been designed to ensure that information required to be disclosed is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation of the effectiveness of the disclosure controls and procedures as of the date of this Management's Discussion and Analysis, that disclosure controls and procedures currently in place provide reasonable assurance that material information is made known to them by others within the Company, subject to the disclosable weakness identified below regarding segregation of duties.

Internal Control Risks

Management, including the Chief Executive Officer and Chief Financial Officer, carried out an assessment of the design of the internal controls over financial reporting and concluded, subject to the disclosable weakness regarding segregation of duties described below, that sufficient controls exist at December 31, 2007, to meet the requirements of Multilateral Instrument (MI) 52-109.

Segregation of Duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to limited resources, a complete segregation of duties within the accounting group cannot be fully achieved. The result is that there is a high reliance on the performance of mitigating procedures during the financial close process in order to ensure the financial statements are presented fairly in all material respects. Additional accounting resources will be identified and hired when it is determined that the hiring of these resources is cost-effective and required. Where it is not cost-effective to obtain additional accounting resources, existing mitigating controls will be reviewed by management and, if required, changes to the internal control processes will be implemented to provide more effective mitigating controls.

RISKS AND UNCERTAINTIES

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

Revenue Fluctuations

Intermap's revenue has fluctuated over the years. Mapping projects are scheduled according to client requirements and the timing of regulatory and/or budgetary decisions. The commencement or completion of 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.

Key Customers

During the 2007, 2006, and 2005 fiscal years, one customer, the National Geospatial Intelligence Agency, an agency of the U.S. Federal Government, accounted for approximately 59 percent, 41 percent, and 40 percent, respectively, of the Company's total revenue. To the extent that significant customers cancel or delay orders, Intermap's sales, income and cash flow could be materially and adversely affected.

Nature of Government Contracts

Intermap conducts a significant portion of its business either directly or in cooperation with the U.S. government, other governments around the world, and international funding agencies. In many cases, the terms of these contracts provide for their 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 affect on Intermap's revenue, earnings, and cash flow.

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 to 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.

Information Technology Security

The success of the NEXTMap program has resulted in the NEXTMap database becoming the single most valuable asset in 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 invested, and will continue to invest, in legal resources to strengthen its licensing agreements with its customers as well as in overall information technology protection.

Loss of Proprietary Information

Intermap does not hold patents on the technology used in its operations and relies principally on trade secrets, know-how, expertise, experience, and 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.

Executive Talent

Intermap has moved into a high-growth phase in its operations and markets. Overall staff growth is expected to increase to over 800 people by the end of 2008. This growth, coupled with the development of new product lines in risk management, personal navigation devices, and intelligent transportation systems, will require additional executive talent. The Company is investing in training, leadership development, succession planning, and recruitment in response to the rapid growth of the Company. Although Intermap has a talented team of experienced executives, it may not be able to further develop executive talent internally or attract enough new executive talent to effectively manage the anticipated growth.

Capital Expenditures for NEXTMap USA and NEXTMap Europe

NEXTMap USA and NEXTMap Europe are capital-intensive undertakings. The Company has existing customers for certain of this data and intends to continue to seek new customers that will partially offset the costs of collecting and processing the data which will make up the NEXTMap programs. While the Company believes it has sufficient capital to complete its NEXTMap USA and NEXTMap Europe programs, there are no guarantees that a sufficient number of customers will be found or, if found, will provide sufficient capital to permit the Company to complete the acquisition and processing of both of the NEXTMap USA and NEXTMap Europe datasets.

Extent of Proposed Mapping Geographies

The new targeted markets proposed for Intermap involve the mapping of geographies of significant size. Anticipated improvements in mapping data resolution will further compound the amount of required data acquisition and handling. Updating the mapping data on a regular basis will prove similarly demanding. Both mapping and processing system throughput will need to be revisited and monitored to ensure the continuing architectural and throughput robustness.

New Competing Technologies

It is possible that commercially available satellite images could, in the future, match the image resolution offered by IFSAR technology. However, the Company believes that the technology to perform three-dimensional radar imaging from space at 1-meter resolution with postings every 5 meters is considered to be ten or more years away. In any event, Intermap is aggressively developing improvements in its acquisition capabilities to continuously improve its accuracy and the cost efficiencies of its IFSAR technology. Although there are currently only a few direct Intermap competitors, the industry is characterized by rapid technological progress. Intermap's ability to continue to develop and introduce new products and services, or enhancements to existing products and services, may require significant additional research and development expenditures and investments in equipment. Any required additional financing needed by the Company to remain competitive may not be available or, if available, may not be on terms satisfactory to 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. In the event that an airborne system is rendered inoperable, contingencies exist to place the necessary equipment on a leased aircraft until a more permanent arrangement is determined. In the event that one of the radar mapping systems 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.

Exporting Products – Political Considerations

The Intermap radar systems contain technology that is classified as a defense article under the International Traffic and Arms Regulations. All mapping efforts undertaken outside the Unites States therefore constitute a temporary export of a defense article, requiring prior written approval by the U.S. 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 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 also secures export credit insurance on many of its international receivables, which greatly reduces the commercial and political risks of operating outside of North America.

Political Instability

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

GPS Failure

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

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.

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.

Common Share Price Volatility

The market price of the Company's Common Shares (as defined herein) could be subject to wide fluctuations in response to Intermap's financial results, changes in earnings estimates by analysts, changing conditions in the digital mapping and related industries or changes in general market, economic or political conditions.

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

Management's Report

The accompanying financial statements of Intermap Technologies Corporation and all the information in this annual report are the responsibility of the Company's management. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles. Management has prepared the financial information presented elsewhere in this annual report and has ensure that it is consistent with the financial statements.

Management maintains appropriate systems of internal control that provide resasonable 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.

Brian L. Bullock	Richard L. Mohr
President & Chief Executive Officer	Senior Vice President & Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Intermap Technologies Corporation as at December 31, 2007 and 2006 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinon on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinon, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants
Ottawa, Canada

February 21, 2008

CONSOLIDATED BALANCE SHEETS

(In thousands of United States dollars)

		December 31, 2007		December 31, 2006
Assets				
Current assets:				
Cash and cash equivalents	**$**	**56,835**	$	48,170
Amounts receivable		**4,957**		8,177
Unbilled revenue		**11,741**		2,477
Prepaid expenses		**1,429**		850
		74,962		59,674
Property and equipment (note 5)		**23,372**		19,755
Multi-client data library (note 6)		**55,113**		32,402
Intangible assets (note 7)		**1,753**		-
Future income taxes (note 11)		**329**		23
	$	**155,529**	$	111,854
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	**$**	**8,404**	$	6,003
Current portion of deferred lease inducements		**219**		120
Deferred revenue		**340**		1,715
Income taxes payable		**19**		30
Current portion of obligations under capital lease (note 8)		**231**		231
Current portion of long-term debt (note 9)		**748**		538
Non-controlling interest		**-**		14
		9,961		8,651
Deferred lease inducements		**393**		468
Obligations under capital lease (note 8)		**229**		165
Long-term debt (note 9)		**3,016**		1,242
Future income tax liability (note 11)		**421**		-
		14,020		10,526
Shareholders' equity:				
Share capital (note 10)		**171,621**		122,458
Contributed surplus (note 10(c))		**2,413**		2,387
Deficit		**(38,719)**		(29,711)
Accumulated other comprehensive income		**6,194**		6,194
		141,509		101,328
Commitments (note 12)				
	$	**155,529**	$	111,854

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Brian L. Bullock
Director

Donald R. Gardner
Director

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS & DEFICIT

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

		2007		2006
Revenue:				
Contract services	$	**28,211**	$	15,127
Multi client data licenses		**5,576**		6,711
		33,787		21,838
Operating costs:				
Cost of services		**8,291**		7,882
Research and development		**4,169**		2,746
Sales, general and administrative		**23,878**		18,953
Depreciation of property and equipment		**4,846**		3,479
Amortization of multi client data library		**4,518**		3,139
Amortization of intangible assets		**353**		
Write down of long term investment		**-**		280
		46,055		36,479
Loss before interest, income taxes and foreign exchange		**(12,268)**		(14,641)
Interest expense		**(145)**		(175)
Interest income		**2,279**		2,647
Gain on foreign currency translation		**920**		1,237
Non controlling interest		**(7)**		
Loss before income taxes		**(9,221)**		(10,932)
Income tax expense (recovery) (note 11)				
Current		**80**		63
Future		**(390)**		
		(310)		63
Net loss and comprehensive loss		**(8,911)**		(10,995)
Deficit, beginning of year		**(29,711)**		(18,638)
Redemption of shares (note 10(b))		**(97)**		(78)
Deficit, end of year	**$**	**(38,719)**	$	(29,711)
Basic and diluted loss per share	**$**	**(0.22)**	$	(0.30)
Weighted average number of Class A common shares basic and diluted		**40,417,408**		36,476,697

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of United States dollars)

		2007		2006
Cash flows (used in) provided by:				
Operations:				
Net loss	$	(8,911)	$	(10,995)
Items not involving cash and cash equivalents:				
Depreciation of property and equipment		4,846		3,479
Amortization of multi client data library		4,518		3,139
Amortization of intangible assets		353		
Stock based compensation		2,182		2,091
Loss on sale of property and equipment		44		30
Amortization of deferred lease inducements		(175)		(161)
Future income taxes		(390)		
Write down of long term investment		-		280
Change in non cash operating working capital		(6,182)		(2,417)
		(3,715)		(4,554)
Financing:				
Proceeds from issuance of common shares		49,059		11,216
Common share issuance costs		(2,413)		(2)
Redemption of common shares		(266)		(264)
Proceeds from long term debt		2,522		
Repayment of long term debt		(538)		(532)
Repayment of obligations under capital lease		(323)		(275)
		48,041		10,143
Investments:				
Purchase of property and equipment		(10,452)		(11,138)
Investment in multi client data library		(24,891)		(10,986)
Business acquisition cost, net of cash acquired		(1,330)		
		(36,673)		(22,124)
Effect of foreign exchange on cash		1,012		1,213
Increase (decrease) in cash and cash equivalents		8,665		(15,322)
Cash and cash equivalents, beginning of year		48,170		63,492
Cash and cash equivalents, end of year	$	56,835	$	48,170
Supplemental cash flow information:				
Cash paid for interest expense	$	145	$	170
Cash paid for income taxes	$	64	$	65

Cash and cash equivalents include deposits with financial institutions that can be withdrawn without prior notice or penalty, and short-term deposits with an original maturity of ninety days or less.

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years ended December 31, 2007 and 2006
(In thousands of United States dollars, except per share information)

1. Incorporation:

Intermap Technologies Corporation (the "Company") is incorporated under the laws of Alberta, Canada. The Company collects data with its airborne interferometric synthetic aperture radar system, which is used to develop highly accurate low-cost digital elevation maps and related products and services.

2. Summary of significant accounting policies:

(a) Basis of consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Intermap Technologies Inc. and Intermap Federal Services Inc. (both U.S. corporations), Intermap Technologies GmbH (a German corporation), Intermap Technologies UK Limited (a U.K. corporation), MultiMedia Computer s.r.o. (a Czech Republic corporation) and a 90 percent owned subsidiary PT ExsaMap Asia (an Indonesian corporation). All inter-company transactions and balances have been eliminated.

(b) Use of estimates:

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

(c) Revenue recognition:

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

Revenue from multi-client data licenses is recognized upon delivery of the data to the customer.

Contracts that include elements of multi-client data library sales and either fixed-price or consulting arrangements are divided into separate units of accounting based on the fair value of the undelivered elements.

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

(d) Property and equipment:

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

Assets *	Rate
Aircraft	10%
Mapping equipment and software	33%
Radar equipment	20%
Intellectual property	20%
Furniture and fixtures	20%
Automobile	20%
Leasehold improvements	Term of lease

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

(e) Multi-client data library:

The Company maintains a multi-client data library, which results from the acquisition and processing of digital map data. All ownership rights to this data are retained by the Company and the data is licensed to customers on a non-transferable basis. All of the direct costs of acquiring and processing the data are capitalized as an investment in the multi-client data library. These costs include direct overhead associated with the acquisition and processing of the data and the depreciation of the property and equipment used in the production of the data.

For each NEXTMap program other than NEXTMap Britain (see below), the capitalized costs are amortized based on the percentage of total estimated costs to total estimated sales, multiplied by actual sales in the period. In the event the percentage changes as a result of a change in the estimate of total costs and/or total sales, amortization is adjusted accordingly.

Any costs which remain unamortized 18 months after being capitalized are amortized on a monthly basis at the greater of (i) a straight-line monthly amortization charge over 60 months, and (ii) the calculated charge based on sales during the period.

The amortization period of 60 months represents the minimum estimated useful life over which benefits from the data are expected to be derived. The carrying value of the multi-client data library is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No adjustments have been recorded against the net book value of the multi-client data library to date.

The Company acquired and processed mapping data in Great Britain on the NEXTMap Britain program during 2001 to 2003 and capitalized approximately 60 percent of the direct costs. The decision to capitalize only a portion of the total costs of the program was driven by uncertainties associated with the Company's use of recently updated radar technology and the first-time acquisition and processing of data in a large contiguous area the size of Great Britain. The straight-line amortization of the amounts capitalized commenced with the market release of the data and is provided for over 60 months, which was determined to be the estimated useful life of the asset. The carrying value of the NEXTMap Britain data is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. No adjustments have been recorded against the net book value of NEXTMap Britain to date.

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

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

(h) Deferred lease inducements:
Deferred lease inducements represent the unamortized cost of lease inducements on certain of the Company's leased commercial office space. Amortization is provided on the straight-line basis over the term of the lease.

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

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

(k) Impairment of long-lived assets:
Long-lived assets, including property and equipment; multi-client data library; and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized as the amount by which the carrying value of the asset exceeds its fair value.

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

(m) Stock compensation expense:
The Company has a stock-based compensation plan, which is described in note 10(e). The Company accounts for all stock-based awards to employees and non-employees

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

(n) Earnings per share:

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

(o) Financial instruments:

Effective January 1, 2007, the Company adopted the new Canadian Institute of Chartered Accountants accounting pronouncements: Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 1530, Comprehensive Income; and Section 3251, Equity. As required by the transitional provision of these new standards, the comparative consolidated financial statements have not been restated, except for the cumulative translation amount, which is now recorded in accumulated other comprehensive income in accordance with CICA Section 1530. The primary requirements of these new standards and the resulting financial statement impacts are further discussed below.

(i) Section 3855, Financial Instruments – Recognition and Measurement. Under the new standards, financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The standards require that all financial instruments be classified either as held-for-trading ("HFT") financial assets or liabilities; available-for-sale ("AFS") financial assets; held-to-maturity ("HTM") financial assets, loans and receivables; or other liabilities. The standard requires that all financial instruments, including all derivatives, be measured subsequent to their initial recognition at fair value with the exception of loans and receivables, debt securities classified as HTM financial assets, AFS financial assets that do not have quoted market prices in an active market and other liabilities.

The following is a summary of the classification the Company has applied to each of its significant categories of financial instruments outstanding as of January 1, 2007:

Financial instrument:	Classification:
Short-term deposits	Held-to-maturity
Amounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Held-for-trading

The Company has not designated any non-derivative financial assets as HFT, nor has it designated any non-derivative financial liabilities as HFT.

Available-for-sale

The Company has not designated any financial assets as AFS.

Held-to-maturity

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

Loans and receivables

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

Other liabilities

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

Derivatives

As at January 1, 2007, the Company had one derivative instrument, which results from a written put option held by a non-controlling investor of the Company's Indonesian subsidiary, PT ExsaMap Asia. In accordance with these standards, the Company is required to recognize a financial liability for the present value of the redemption amount of the put instrument held by the minority interest holder. The present value of the redemption amount at December 31, 2007, is approximately $21. However, based on terms set out in the joint venture agreement between the Company and the non-controlling investor, the Company had provided the investor with an advance of $21 on this redemption amount before January 1, 2007. As such, the Company has offset the financial liability against the advance on its consolidated balance sheet.

Embedded derivatives

As of December 31, 2007, the Company does not have any outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

(ii) Section 1530, *Comprehensive Income (Loss)*

All exchange differences resulting from the Company's adoption of the U.S. dollar as its reporting currency effective January 1, 2005, were recorded in the cumulative translation account, which now forms part of accumulated other comprehensive income within the Company's shareholders' equity. The Company does not have any assets designated as available-for-sale, or any self-sustaining subsidiaries.

3. Future Accounting Standards:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 "Capital Disclosures"; Handbook Section 3862 "Financial Instruments – Disclosures"; Handbook Section 3863 "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008. Section 1535 specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new Handbook Sections 3862 and 3863 replace Handbook Section 3861 "Financial Instruments - Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

4. Business Acquisition:

On March 1, 2007, the Company entered into an agreement to acquire all of the registered capital of MultiMedia Computer s.r.o. ("MMC"), a Czech Republic software development company. The acquired business includes a unique software development platform used to manage, analyze, and visually illustrate 3D digital elevation data, and to develop flood mapping applications within the insurance industry. The Company acquired the registered capital of MMC for $1,250 in cash and $500 in equity comprised of 101,238 Class A common shares of the Company. The value of the Class A common shares of the Company was based on the average market price of the Company's shares over the five-day period before the transaction closed.

As of December 31, 2007, the Company has incurred $157 in transaction costs related to the purchase of MMC.

The purchase allocation is as follows:

		March 1, 2007
Cash	$	77
Other current assets		315
Computer equipment		16
		408
Intangible Assets:		
Technology		1,747
Customer relationships		233
Contracts		126
		2,106
Total Assets	$	2,514
Current liabilties	$	103
Future income tax liability		505
Total liabilities	$	608

The results of operations of MMC have been included in the consolidated statement of operations beginning March 1, 2007.

The MMC purchase agreement provides for additional contingent compensation to be paid to the seller based on future Intermap sales of MMC's technology for a period ending five years from the date of closing. The contingent compensation is based on a percentage of the sales price allocated to the acquired technology with such percentage totaling 20 percent for each of the first three years and 10 percent for each of the last two years. The minimum amount of contingent compensation to be paid per year is $25 and all contingent compensation is subject to the continuing employment of the seller by the Company.

5. Property and equipment:

December 31, 2007		Cost		Accumulated depreciation		Net book value
Aircraft	$	14,502	$	5,476	$	9,026
Mapping equipment and software		20,009		14,949		5,060
Radar equipment		15,413		9,660		5,753
Intellectual property		500		500		-
Furniture and fixtures		464		390		74
Automobile		183		6		177
Leasehold improvements		837		606		231
Assets under construction:						
Mapping equipment and software		1,473		-		1,473
Radar equipment		2		-		2
Aircraft		1,083		-		1,083
Assets held under capital leases:						
Mapping equipment and software		1,378		885		493
	$	55,844	$	32,472	$	23,372

December 31, 2006		Cost		Accumulated depreciation		Net book value
Aircraft	$	8,265	$	4,017	$	4,248
Mapping equipment and software		16,694		12,883		3,811
Radar equipment		11,993		7,169		4,824
Intellectual property		500		443		57
Furniture and fixtures		410		333		77
Automobile		19		14		5
Leasehold improvements		770		459		311
Assets under construction:						
Mapping equipment and software		294		-		294
Radar equipment		950		-		950
Aircraft		4,601		-		4,601
Assets held under capital leases:						
Mapping equipment and software		1,000		423		577
	$	45,496	$	25,741	$	19,755

During the year, property and equipment was acquired at an aggregate cost of $10,452 (2006 - $11,138). In addition, $378 (2006 - $325) of property and equipment was acquired by means of capital leases.

During the year, the Company disposed of obsolete equipment and leasehold improvements with a cost of $497, and a net book value of $44. During 2006, the Company disposed of obsolete equipment and terminated two facility leases. As a result, the Company disposed of leasehold improvements and furniture with a cost of $212, and a net book value of $30.

6. Multi-client data library:

		December 31, 2007		December 31, 2006
Cost:				
Balance, beginning of year	**$**	**40,781**	$	28,255
Add:				
Direct costs and overhead		**24,891**		10,986
Capitalized depreciation		**2,338**		1,540
Balance, end of year		**68,010**		40,781
Accumulated amortization		**(12,897)**		(8,379)
	$	**55,113**	$	32,402

7. Intangible assets:

December 31, 2007		Cost		Accumulated amortization		Net book value
Technology	$	1,747	$	292	$	1,455
Customer relationships		233		40		193
Contracts		126		21		105
	$	2,106	$	353	$	1,753

8. Obligations under capital lease:

Future minimum capital lease payments as at December 31 are:

		2007		2006
Twelve months ended December 31:				
2007	**$**	**-**	$	257
2008		**234**		120
2009		**204**		60
2010		**62**		-
Total minimum lease payments		**500**		437
Less amount representing interest (at rates ranging from approximately 5.9% to 9.8%)		**40**		41
Present value of minimum lease payments		**460**		396
Current portion of obligations under capital lease		**231**		231
	$	**229**	$	165

In April 2007, the Company entered into a capital lease to finance the purchase of $163 of mapping equipment and software. This lease bears interest at a rate of 8.8 percent and is secured by the underlying assets. In August 2007, the Company entered into another capital lease to finance the purchase of $215 of mapping equipment and software. The lease bears interest at a rate of 5.9 percent and is secured by the underlying assets.

9. Long-term debt:

		December 31, 2007		December 31, 2006
Bank term loans (a)	**$**	**2,534**	$	333
Term loan (b)		**1,230**		1,447
		3,764		1,780
Less current portion		**748**		538
	$	**3,016**	$	1,242

(a) In December 2007, the Company obtained a term loan from a Canadian bank in the amount of $2,522 (C$2,500). The loan is repayable in monthly installments of $42 over a term of 60 months maturing on December 26, 2012. The loan bears interest at the bank's fixed base rate plus 1.50 percent and is secured by a general security agreement. An aircraft owned by the Company was listed as collateral under the general security agreement. As of December 31, 2007, $2,522 was outstanding on the loan.

In January 2005, the Company obtained a term loan from a U.S. bank in the amount of $400. The loan is repayable in monthly installments of $12 over a term of 36 months maturing on January 31, 2008. The loan bears interest at a rate of 7.5 percent and is secured by computer equipment and software. As of December 31, 2007, and 2006, $12 and $166, respectively, were outstanding on the loan.

In October 2002, the Company obtained a term loan from a Canadian bank in the amount of $1,000. The loan was repayable in monthly installments of $17 over a term of 60 months maturing on October 11, 2007. Interest on the loan was calculated at the bank's base rate plus 1.75 percent and was secured by a general security agreement. An aircraft owned by the Company was listed as collateral under the general security agreement. As of December 31, 2006, $167 was outstanding on the loan. The loan was paid in full on October 11, 2007.

(b) In August 2005, the Company obtained a term loan from a Canadian financing company in the amount of $1,715. The loan is repayable in monthly installments of principal and interest of $25 over a term of 60 months maturing on August 9, 2010, at which point the remaining balance of $578 will be due. The loan bears interest at a rate of 6.12 percent and is secured by a general security agreement.

Principal repayments of long-term debt as are as follows:

December 31,		
2008	$	748
2009		751
2010		1,257
2011		504
2012		504
	$	3,764

10. Share capital:

(a) Authorized:

The authorized share capital 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:

Class A common shares	December 31, 2007 Number of Shares		December 31, 2007 Amount	December 31, 2006 Number of Shares		December 31, 2006 Amount
Balance, beginning of year	36,995,152	$	122,458	34,696,137	$	109,264
Exercise of options	464,330		2,893	213,250		2,827
Stock compensation	16,384		91	15,515		85
Issuance of shares for cash	6,183,097		35,417			
Exercise of warrants and agent compensation options	2,333,556		12,785	2,125,250		10,466
Issuance of common shares for business acquistion	101,238		500			
Issuance costs	-		(2,413)			(2)
Redemption of shares	(23,584)		(110)	(55,000)		(182)
Balance, end of year	46,070,173	$	171,621	36,995,152	$	122,458

In November and December 2007, the Company received $10,630 (C$10,732) of proceeds from the exercise of Class A common share purchase warrants in connection with a March 17, 2005, private placement. A total of 2,005,656 warrants were exercised and such exercises represented all of the remaining outstanding warrants issued pursuant to the private placement.

On July 12, 2007, the Company completed a fully subscribed share issuance of 5,500,000 Class A common shares for total consideration of $31,564 (C$33,000). Each Class A common share had a purchase price of $6.00 CDN. The Company paid the underwriters a cash commission equal to 6 percent or $1,916 (C$2,003) of the gross proceeds of the offering and incurred additional transaction related fees of $275 (C$281).

In connection with the July 12, 2007, share issuance, the Company issued an over-allotment option to its underwriters, resulting in the issuance of an additional 683,097 Class A common shares, at a price of $6.00 CDN per Class A common share, for proceeds of $3,853 (C$4,099) on August 14, 2007. The Company recorded an additional commission of $222 (C$236) related to this issuance.

On July 20, 2007, and July 7, 2006, respectively, 16,384 and 15,515 Class A common shares were issued to directors as compensation for services, following Toronto Stock Exchange (TSX) approval and pursuant to shareholder approval in May of 2006. Compensation expense for these Class A common shares has been included in sales, general, and administration expenses.

On May 16, 2003, a resolution was passed which authorized the directors to provide a compensation arrangement to Brian L. Bullock, the Company's president and CEO, whereby the Company would issue 250,000 Class A common shares on August 31, 2007, upon the fulfillment of specified conditions contained in an escrow agreement. The shares had a market value of $3.40 CDN per share at May 16, 2003. On June 30, 2006, in consideration for Mr. Bullock signing a five year employment contract extension, the Company released from escrow 175,000 shares of the 250,000 Class A common shares held by Mr. Bullock. Due to the modification of the original agreement, the Company recorded additional compensation expense of $266 during the period ended June 30, 2006. Simultaneous to the release of the shares from escrow, the Company redeemed 55,000 of the Class A common shares from

Mr. Bullock to cover his personal tax obligations associated with the transaction. The Company recorded the purchase of these shares on June 30, 2006, as a stock redemption at the fair value of $264. The Company recorded the redemption of these shares as a reduction of $182 to share capital, representing the average paid-in amount prior to the redemption, with the balance being recorded as a reduction of $4 to contributed surplus and $78 to deficit. The Company cancelled the 55,000 shares in July 2006.

In November 2007, the remaining 75,000 shares were released from escrow. Simultaneous to the release of the shares from escrow, the Company redeemed 23,584 of the Class A common shares from Mr. Bullock to cover his personal tax obligations associated with the transaction. The Company recorded the purchase of these shares in November 2007 as a stock redemption at the fair value of $266. The Company recorded the redemption of these shares as a reduction of $110 to share capital, representing the average paid-in amount prior to the redemption, with the balance being recorded as a $59 reduction to contributed surplus and $97 to deficit.

(c) Contributed surplus:

		December 31, 2007		December 31, 2006
Balance, beginning of year	**$**	**2,387**	$	2,462
Stock-based compensation related to stock option and warrant grants		**2,091**		1,915
Stock options and warrants exercised		**(2,065)**		(1,990)
Balance, end of year	**$**	**2,413**	$	2,387

(d) Loss per share:

The calculation of the loss per share is based upon the weighted average number of Class A common shares outstanding. Where the impact of the exercise of options or warrants is anti-dilutive, they have not been included in the calculation of diluted earnings per share.

(e) Stock option plan:

The Company established a stock option plan to provide long-term incentives to attract, motivate, and retain certain key employees, officers, directors, and consultants providing services to the Company. The plan permitted the granting of options to purchase up to a maximum of 1,587,183 Class A common shares. On May 9, 2006, the plan was amended to permit the granting of options to purchase up to a maximum of 3,650,000 Class A common shares. Under the plan, no one individual shall be granted an option which exceeds 5 percent of the issued and outstanding Class A common shares of the Company. In addition, the exercise price of each option shall not be less than the market price of the Company's stock on the date of grant. The options are exercisable for a period of not greater than six years, and generally vest over a period of three or four years with the first vesting occurring on the one-year anniversary of the date of the grant. Directors' options generally vest on the date of the grant and expire on the fifth anniversary of the date of the grant. As of December 31, 2007, there were 185,128 shares available for issuance under the plan.

A summary of the status of the plan is as follows:

	December 31, 2007			December 31, 2006		
	Number of shares under option		**Weighted average exercise price**	Number of shares under option		Weighted average exercise price
			(Cdn)			(Cdn)
Options outstanding, beginning of year	**2,598,122**	**$**	**5.52**	1,021,372	$	3.88
Granted	**695,500**		**5.88**	1,797,000		6.26
Exercised	**(464,330)**		**3.96**	(213,250)		3.92
Expired	**(42,000)**		**5.92**	(7,000)		4.04
Options outstanding, end of year	**2,787,292**	**$**	**5.87**	2,598,122	$	5.52
Options exercisable, end of year	**762,031**	**$**	**5.48**	627,620	$	4.29

The following table summarizes information regarding stock options outstanding at December 31, 2007:

Exercise Price (Cdn)		Options outstanding	Weighted average remaining contractual life	Options exercisable
$	3.55	20,000	1.67 years	13,332
	3.70	19,956	0.83 years	19,956
	4.00	258,669	1.50 years	160,993
	4.15	72,000	0.17 years	72,000
	5.05	6,667	2.00 years	-
	5.60	60,000	4.33 years	15,000
	5.75	505,500	5.17 years	-
	5.95	60,000	5.42 years	-
	6.20	20,000	5.67 years	-
	6.30	1,654,500	4.33 years	480,750
	6.37	90,000	5.42 years	-
	6.59	20,000	5.67 years	-
		2,787,292	4.14 years	762,031

The per share weighted-average fair value of the options granted during the year ended December 31, 2007 was $3.26 (2006 - $3.57) on the date of grant, determined using the Black-Scholes options pricing model with the following assumptions: expected dividend yield 0% (2006 - 0%), risk-free interest rates of 3.94% to 4.50% (2006 - 3.85% to 4.05%), volatilities of 53.4% to 54.6% (2006 - 54.2% to 56.9%) and an expected life of 6 years (2006 - 4-6 years).

Non-cash compensation expense has been included in sales, general, and administrative expenses with respect to stock options and restricted stock granted to employees and non-employees as follows:

		2007		2006
Non-cash compensation	**$**	**2,182**	$	2,091

(f) Class A common share purchase warrants:

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

	December 31, 2007	December 31, 2006
Balance, beginning of year	**2,412,406**	4,878,365
Issued	**-**	25,000
Exercised	**(2,337,406)**	(2,125,250)
Expired	**(50,000)**	(365,709)
Balance, end of year	**25,000**	2,412,406

Each warrant entitles its holder to one Class A common share upon payment of an exercise price of $6.30 CDN. The warrants expire on May 11, 2009.

11. Income taxes:

Future income taxes reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The tax effects of temporary differences that give rise to significant portions of the future tax asset and future tax liability at December 31, 2007 and 2006, are as follows:

	2007	2006
Future tax asset:		
Tax effect of loss carryforwards	**$ 15,789**	$ 11,713
Tax effect of amounts deductible for tax purposes in excess of amounts deductible for accounting purposes	**1,688**	1,356
Tax effect of unrealized foreign exchange losses	**708**	1,159
Tax effect of scientific research expenditures	**1,302**	1,270
Other	**-**	23
Total gross future tax asset	**19,487**	15,521
Less valuation allowance	**(15,465)**	(12,764)
Net future tax asset	**4,022**	2,757
Future tax liability:		
Tax effect of amounts deductible for accounting purposes in excess of amounts deductible for tax purposes	**(4,114)**	(2,734)
Total gross future tax liability	**(4,114)**	(2,734)
Net future tax asset	$ (92)	$ 23

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

The creation of intangible assets with the acquisition of MMC (see note 4) resulted in a temporary difference between the assigned value for book purposes and the tax basis of the intangible assets. The carrying values of the intangible assets were grossed up and a future tax liability of $505 was recorded to reflect this temporary difference. The future tax liability is utilized over a period of five years (consistent with the amortization of intangible assets) as future income tax recovery.

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

At December 31, 2007, approximately $47,338 of loss carry forwards and $1,136 of tax credits were available in various tax jurisdictions. A summary of losses by year of expiry is as follows:

2009	$	1,724
2012		70
2014		1,612
2015		2,886
2018		3,135
2020-2026		36,913
Indefinite		998
	$	47,338

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:

		2007		2006
Tax rate		**35.4%**		35.6%
Expected Canadian income tax recovery	**$**	**(3,265)**	$	(3,892)
Decrease resulting from:				
Change in valuation allowance		**2,701**		2,057
Change in Canadian statutory rate		**1,779**		581
Difference between Canadian statutory rate and those applicable to U.S. and other foreign subsidiaries		**1**		147
Share issuance costs charged to equity		**(854)**		-
Non-deductible expenses		**413**		820
Foreign exchange		**(1,392)**		194
Other		**307**		156
	$	**(310)**	$	63

12. Commitments:

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

2008	$	1,551
2009		1,248
2010		762
2011		163
2012		1
	$	3,725

13. Segmented information:

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

Geographic segments of revenue are as follows:

		Contract Services year ended December 31, 2007		**Data Licenses year ended December 31, 2007**		Contract Services year ended December 31, 2006		Data Licenses year ended December 31, 2006
United States of America		**887**		**4,450**		2,273		5,524
Asia/Pacific		**26,699**		**278**		12,063		211
Europe		**625**		**843**		140		976
South America		**-**		**5**		651		
	$	**28,211**	**$**	**5,576**	$	15,127	$	6,711

Property and equipment of the Company are located as follows:

		December 31, 2007		December 31, 2006
Canada	$	**4,679**	$	4,563
United States of America		**17,435**		14,382
Asia/Pacific		**973**		516
Europe		**285**		294
	$	**23,372**	$	19,755

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

Sales to significant customers are as follows:

		2007		2006
Customer A	$	**20,053**	$	8,925
Customer B		**2,739**		
Customer C		**2,703**		18
Customer D		**2,126**		
Customer E		**709**		1,509
Customer F		**694**		2,511
Customer G		**10**		1,166
	$	**29,034**	$	14,129

During the years ended December 31, 2007, and 2006, one customer, the National Geospatial-Intelligence Agency (NGA), accounted for approximately 59 percent and 41percent, respectively, of the Company's total revenue. In addition to the varied size, quantity, and geography of contracts signed with the NGA on an annual basis, the NGA also serves as a contracting entity for many other agencies within the U.S. government, all of which are included under the same customer classification as the NGA.

14. Financial instruments:

(a) Concentrations of credit risk

The Company is exposed to credit related losses on sales to customers outside North America due to potentially higher risks of enforceability and collectibility. The Company seeks to reduce its credit exposure by securing credit and political risk insurance, where available and when deemed appropriate.

(b) Carrying values

The carrying values of cash and cash equivalents, amounts receivable, accounts payable, and accrued liabilities approximate their fair value given the relatively short periods to maturity.

The fair value of the obligations under capital lease range from $480 to $459 based on discounted cash flow analysis using interest rates ranging from 10 percent to 15 percent, which represent current market rates of interest to the Company for the same or similar instruments.

The carrying value of long-term debt approximates its fair value as current market rates available to the Company are similar to those on the long-term debt.

(c) Foreign currency risk

A substantial portion of the company's sales and purchases are denominated in foreign currencies. The resulting fluctuations in the exchange rates between these currencies and the U.S. dollar have an immediate impact on the Company's cash flows. Although management monitors exposure to such fluctuations, it does not employ any hedging strategies to counteract the foreign currency fluctuations.

CORPORATE INFORMATION

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Richard L. Mohr
Senior Vice President & CFO

Eric DesRoche
Senior Vice President, Automotive & Consumer Electronics

Garth R. Lawrence
Senior Vice President, Business Operations

Tony Brown
Vice President, Data Operations

Michael E. Bullock
Vice President, Consumer Electronics and President of Intermap Federal Services

Mark Frank
Vice President, Acquisition Operations & Engineering

Nigel D. Jackson
President Director of PT ExsaMap Asia

Dr. Manfred Krischke
Vice President, Europe and GmbH Managing Director

Walter Sedlacek
Vice President, Chief Technology Officer

Richard Smolenski
Vice President, Sales

Kevin J. Thomas
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Brian Musfeldt
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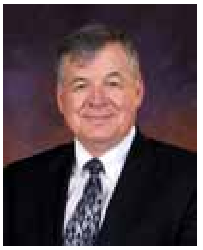
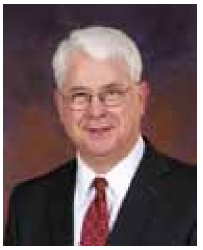
Stock Exchange

Intermap stock is listed on the Toronto stock exchange under the symbol "IMP" and on the London Stock Exchange's AIM market under the symbol "IMAP."

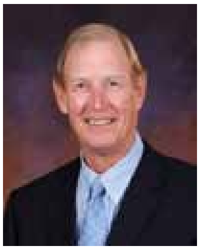
Board of Directors



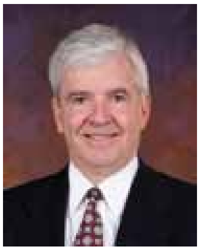
Brian L. Bullock
President & CEO
Intermap Technologies
Colorado, U.S.A.



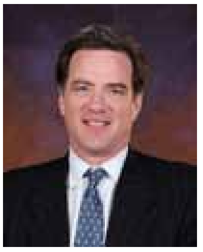
Larry G. Garberding
Lead Director
Retired
Executive Vice President & CFO
DTE Energy Company
Michigan, U.S.A.



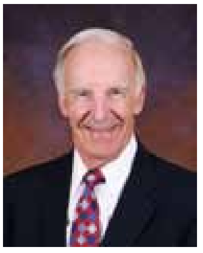
Edward S. Evans, III
Retired
General Dynamics
Advanced Information Systems
Michigan, U.S.A.



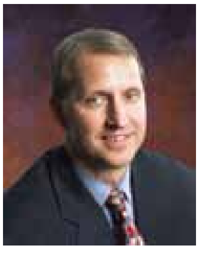
Donald R. Gardner
Chief Executive Officer
Canadian Spirit Resources Inc.
Alberta, Canada



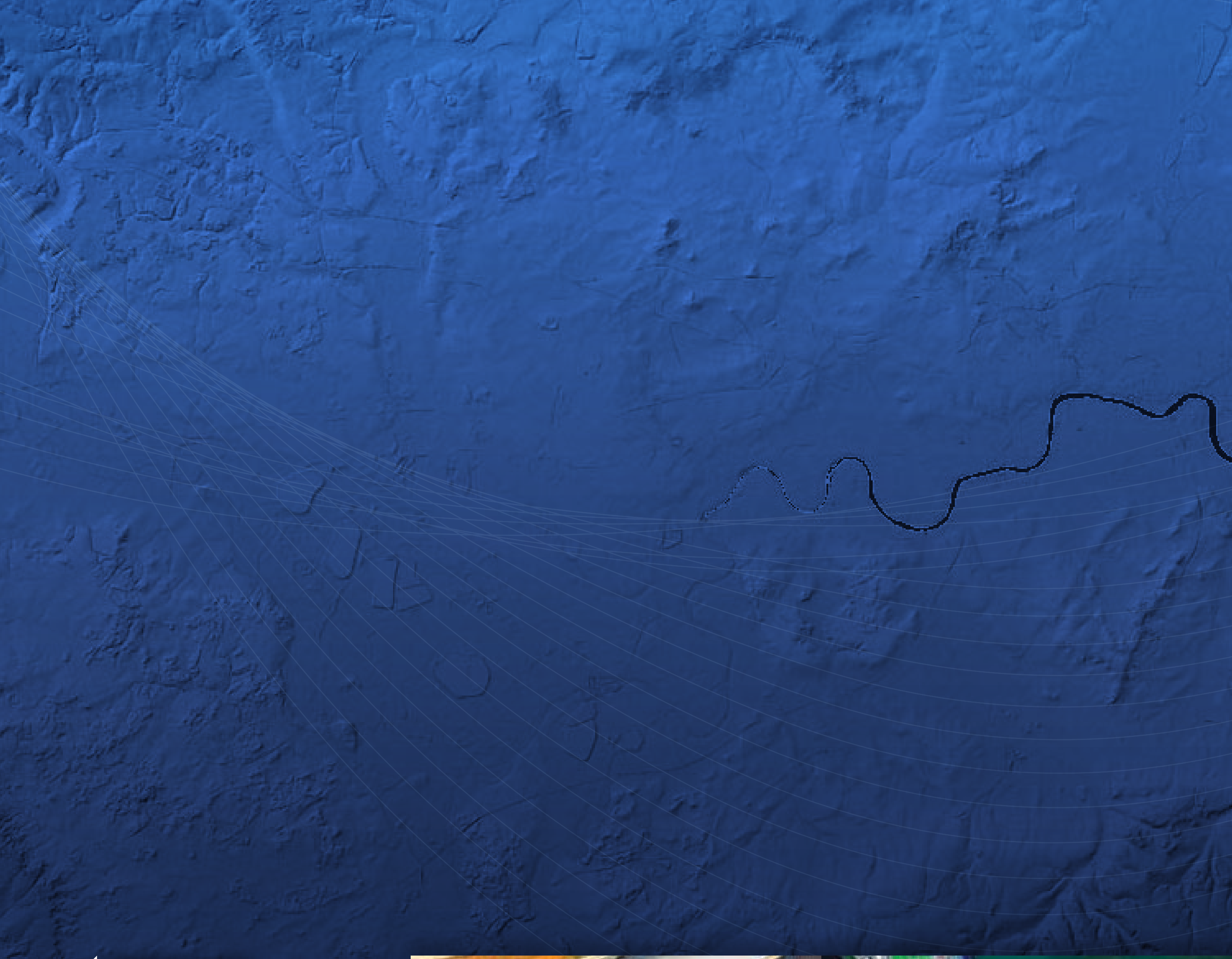
Jerald S. Howe, Jr.
Principal, InSequitur LLC.
Washington, D.C., U.S.A.



Dr. Craig Marks
Director, Altarum
Michigan, U.S.A.



Terry J. Owen
Private Investor
Retired
Trimac Transportation Services L.P.
Alberta, Canada



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