

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state of the United States of America or its territories or possessions (the "United States") and, subject to certain exceptions, may not be offered, sold, pledged, transferred, or otherwise disposed of, directly or indirectly, within the United States or to or for the account or benefit of any "U.S. Person" (as defined in Regulation S made under the U.S. Securities Act) or any person within the United States except in transactions exempt from registration under the U.S. Securities Act and under the securities laws of any applicable state. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities offered hereby within the United States, its territories or possessions or to or for the account or benefit of a U.S. Person or person within the United States. See "Plan of Distribution".

PROSPECTUS

Initial Public Offering

August 14, 2008

ID WATCHDOG, INC.

\$10,200,000

17,000,000 Units

**Each Unit consisting of one Ordinary Share and
one-half of one Ordinary Share Purchase Warrant**

Price: \$0.60 per Unit

ID Watchdog, Inc. (the "Company") is offering (the "Offering") to the public through its agent, Bolder Investment Partners, Ltd. (the "Agent"), 17,000,000 units of the Company ("Units"). Each Unit consists of one ordinary share of the Company (each, an "Ordinary Share") and one-half of one ordinary share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will entitle the holder thereof to acquire one additional Ordinary Share at an exercise price of \$0.90 per share for a period of 24 months from the date (the "Listing Date") of listing of the Ordinary Shares on the TSX Venture Exchange (the "Exchange"). See "Description of Share Capital and Securities Distributed" and "Plan of Distribution". The price per Unit was determined by negotiation between the Company and the Agent.

	Price to Public	Agents' Commission⁽¹⁾	Net Proceeds to the Company⁽²⁾
Per Unit	\$0.60	\$0.048	\$0.552
Total	\$10,200,000	\$966,000	\$9,234,000

(1) The Company will pay the Agent and Green Drake, Inc. (the "U.S. Agent" and, together with the Agent, the "Agents") a cash commission (the "Agents' Commission") equal to 8% of the gross proceeds of the Offering and pay to the Agent a corporate finance fee (the "Corporate Finance Fee") in the amount of \$150,000 and reimburse the Agents for their expenses in connection with the Offering (for which the Company has paid a deposit of \$10,000). The Company will also issue the Agent 50,000 Units (the "Corporate Finance Units") and issue to the Agents that number of agents' warrants (the "Agents' Warrants") equal to 8% of the total number of Units sold under the Offering, each such Agents' Warrant being exercisable to acquire one Ordinary Share at a price of \$0.60 per Ordinary Share for a period of 24 months from the Listing Date.

(2) Before deducting remaining expenses of the Offering, estimated at \$375,000 (including the Agent's expenses, including its legal expenses, and the expenses of the Company).

This prospectus qualifies the distribution of the Ordinary Shares and Warrants comprising the Units offered for sale pursuant to the Offering. This prospectus also qualifies the distribution of the Corporate Finance Units and the Agents' Warrants.

This Offering is being made to the public concurrently in the Provinces of British Columbia, Alberta and Ontario. Units may also be sold to qualified purchasers on a private placement basis outside of Canada, including in the United States or to or for the benefit of U.S. Persons through the U.S. Agent, without the filing of a prospectus, registration statement or other similar document pursuant to applicable and available statutory exemptions. See "Plan of Distribution".

The Agent, as agent on behalf of the Company, conditionally offers the Units, subject to prior sale, on a best efforts basis, if, as and when issued and delivered by the Company in accordance with the terms and conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the

Company by Koffman Kalef LLP and on behalf of the Agent by McCullough O'Connor Irwin LLP. See "Plan of Distribution".

Agent's Position	Number of Securities	Exercise Period	Exercise Price
Agents' Warrants ⁽¹⁾	Warrants to purchase up to 1,360,000 Ordinary Shares	24 months from the Listing Date	\$0.60 per Ordinary Share
Ordinary Shares ⁽¹⁾	50,000 Ordinary Shares	N/A	N/A
Warrants ⁽¹⁾	Warrants to purchase up to 25,000 Ordinary Shares	24 months from the Listing Date	\$0.90 per Ordinary Share

(1) The Agents' Warrants and the Ordinary Shares and Warrants comprising the Corporate Finance Units are qualified for distribution by this prospectus. See "Plan of Distribution".

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The completion of the sale of securities pursuant to the Offering (the "Closing") will take place on such day as the Agent and the Company may mutually agree (the "Closing Date"). All subscription funds received will be held by the Agent pending Closing and will be returned to the subscribers by the Agent without interest, set-off or deduction if the Offering is not fully subscribed on or before the day that is 90 days after the date a receipt is issued for this prospectus, or such later date as the Company and the Agent may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to this prospectus and the regulator issuing a receipt for the amendment). Certificates representing the Ordinary Shares and Warrants comprising the Units will be available for delivery on or about the Closing Date.

None of the securities have been or will be registered under the U.S. Securities Act or the securities laws of any state. Accordingly, the Warrants may not be exercised in the United States unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. See "Plan of Distribution".

Investment in the securities being offered involves a high degree of risk and investors should not invest any funds in the Offering unless they can afford to lose their entire investment. See "Risk Factors".

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "Risk Factors". The Company has applied to list the securities distributed under this prospectus on the Exchange. Listing will be subject to the Company fulfilling all the listing requirements of the Exchange. The Exchange's approval of the listing of the Ordinary Shares on the Exchange, subject to the filing of usual documentation and distribution of the Units to a minimum number of public securityholders, is a condition of Closing of the Offering.

As at the date of this prospectus, the Company is an "IPO Venture Issuer" (as defined under National Instrument 41-101 General Prospectus Requirements to mean an issuer which does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc).

The Company is incorporated under the laws of the Cayman Islands and resides outside of Canada. Daryl Yurek, who may be considered the promoter of the Company under applicable securities laws, also resides outside Canada. Although, prior to the Closing, the Company and Mr. Yurek will be appointing Koffman Kalef LLP, 19th Floor, 885 West Georgia Street, Vancouver, British Columbia V6C 3H4 as their agent for service of process in British Columbia, it may not be possible for investors to enforce judgments obtained in Canada against the Company or Mr. Yurek.

AGENT:

**BOLDER INVESTMENT PARTNERS, LTD.
Suite 800, 1450 Creekside Drive
Vancouver, British Columbia V6J 5B3**

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GLOSSARY

In this prospectus, the following terms have the meanings set forth below, unless otherwise indicated.

“Agent” means Bolder Investment Partners, Ltd.;

“Agents” means the Agent and the U.S. Agent;

“Agents’ Warrants” means warrants issuable to the Agents in connection with the Offering; each Agents’ Warrant exercisable to purchase one Ordinary Share at an exercise price of \$0.60 per Ordinary Share for a period of 24 months from the Listing Date;

“BVP” means Bolder Venture Partners, an entity (unrelated to the Agent) of which Daryl Yurek (the Company’s Chairman, Chief Executive Officer (“CEO”) and a director) is the controlling owner and managing partner;

“Canadian GAAP” means accounting principles generally accepted in Canada;

“Company” means ID Watchdog, Inc., a limited liability exempted company incorporated under the laws of the Cayman Islands and, where the context requires, its subsidiaries and predecessor companies as described under “Corporate Structure”;

“Convertible Debentures” means U.S.\$3,725,291 aggregate principal amount of 9% convertible debentures due 2009 issued by ID Rehab Corp. (of which U.S.\$3,650,291 aggregate principal amount is presently outstanding) and which are convertible into Ordinary Shares at a conversion price of U.S.\$0.28 per share;

“Corporate Finance Fee” means \$150,000 payable in cash to the Agent as part of its corporate finance fee;

“Corporate Finance Units” means 50,000 Units issuable to the Agent as part of its corporate finance fee;

“Exchange” means the TSX Venture Exchange;

“Exchange Rate” means the Bank of Canada’s noon exchange rate between United States dollars and Canadian dollars on August 14, 2008, being U.S.\$1.00 equals Cdn.\$1.0620 (Cdn.\$1.00 equals U.S.\$0.9416);

“ID Rehab Corp.” means Identity Rehab Corporation, a corporation formed under the laws of Colorado which is the wholly-owned operating subsidiary of the Company and, where the context requires, includes all predecessor companies successively merged into ID Rehab Corp.;

“Interim Financing” means private placements completed by ID Rehab Corp. in May and June 2008 pursuant to which it issued (a) 497,500 shares of Series B Convertible Preferred Stock at U.S.\$2.00 per share with five-year warrants to purchase 425,860 common shares at U.S.\$0.60 per share and (b) the issuance of 1,041,667 common shares at U.S.\$0.48 per share with (i) five-year warrants to purchase 213,541 common shares at U.S.\$0.60 per share and (ii) warrants to purchase 520,833 common shares at U.S.\$0.90 per share until the earlier of 24 months from the Listing Date and December 31, 2010;

“Listing Date” means the date the Ordinary Shares are listed on the Exchange;

“Offering” means the offering of Units under this prospectus;

“Ordinary Shares” means ordinary shares in the capital of the Company;

“Preferred Share Conversions” means the automatic conversion in accordance with the Articles of Association of the Company of Series A Preferred Shares and Series B Preferred Shares pursuant to the special rights and restrictions of such shares, concurrent with the completion of the Offering, into (a) the number of Ordinary Shares obtained by dividing (i) the aggregate issue price of the Series A Preferred Shares and the Series B Preferred Shares based on U.S.\$2.00 per share (plus accrued but unpaid 12% cumulative dividends thereon) by (ii) the conversion

price of Cdn.\$0.48 per Ordinary Share (being 0.8 times the price per Unit under the Offering) and (b) the number of Warrants equal to one-half of such number of Ordinary Shares so calculated;

“Regulation S” means Regulation S made under the U.S. Securities Act;

“Reorganization” means the corporate reorganization described under “Corporate Structure” pursuant to which ID Rehab Corp. became a wholly-owned subsidiary of the Company;

“Series A Preferred Shares” means Series A Convertible Preferred Shares in the capital of the Company, the issued shares of which were issued in exchange for shares of Series A Convertible Preferred Stock of ID Rehab Corp. under the Reorganization;

“Series B Preferred Shares” means Series B Convertible Preferred Shares in the capital of the Company, the issued shares of which were issued in exchange for shares of Series B Convertible Preferred Stock of ID Rehab Corp. under the Reorganization;

“Unit” means a unit consisting of one Ordinary Share and one-half of one Warrant;

“U.S. Agent” means Green Drake, Inc., a United States broker dealer registered under the U.S. Exchange Act;

“U.S. Exchange Act” means the United States Securities Exchange Act of 1934, as amended;

“U.S. GAAP” means accounting principles generally accepted in the United States;

“U.S. Person” is as defined in Regulation S;

“U.S. Securities Act” means the United States Securities Act of 1933, as amended;

“VCC” means Veracity Credit Consultants, LLC, an entity controlled by Justin Yurek (the Company’s President); and

“Warrant” means a warrant to purchase one Ordinary Share at an exercise price of \$0.90 per Ordinary Share for a period of 24 months from the Listing Date.

CURRENCY

In this prospectus, references to “\$” or “Cdn.\$” are to Canadian dollars and references to “U.S.\$” are to United States dollars. On August 14, 2008, the Bank of Canada’s noon exchange rate was U.S.\$1.00 equals Cdn.\$1.0620 (Cdn.\$1.00 equals U.S.\$0.9416).

ELIGIBILITY FOR INVESTMENT

In the opinion of Koffman Kalef LLP, counsel for the Company, the Ordinary Shares, if, as and when listed on a designated stock exchange (which includes Tier 1 and Tier 2 of the Exchange), will be qualified investments under the Income Tax Act (Canada) for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan or a registered education savings plan (collectively referred to as “Deferred Income Plans”). It is the position of the Canada Revenue Agency that shares are to be considered listed on a designated stock exchange only when an unqualified as opposed to conditional listing of the shares exists and the shares are posted for trading. We understand that it is the practice of the Exchange to conditionally list shares that have been issued pursuant to an initial public offering for up to 48 hours prior to the listing becoming unconditional. As a result, until all of the conditions for listing of the Ordinary Shares have been satisfied and the Ordinary Shares are posted for trading, the Ordinary Shares may not be qualified investments for Deferred Income Plans. Provided that the Company, and any person who does not deal at arm’s length with the Company, is not an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the governing plan of the plan trust of a particular Deferred Income Plan, the Warrants will also be qualified investments for Deferred Income Plans.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words “may,” “will,” “should,” “expect,” “anticipate,” “estimate,” “believe,” “intend,” or “project” or the negative of these words or other variations on these words or comparable terminology. Such forward-looking statements include statements regarding, among other things:

- the intended performance of our services;
- our marketing strategy, television advertising, dedicated e-commerce website and public relations activities;
- our ability to replace any of our data providers;
- our projected future revenue and cash flow from operations;
- our working capital needs, including proposed sources and uses of cash over the next twelve months;
- the proposed listing of the Ordinary Shares on the Exchange;
- anticipated trends in our industry; and
- the competitive position of our services in the marketplace.

This information may involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from the future results, performance or achievements expressed or implied by any forward-looking statements.

Actual events or results may differ materially from those discussed in forward-looking statements as a result of various factors, including, without limitation, the risks outlined under “Risk Factors” and matters described in this prospectus generally. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements contained in this prospectus will in fact occur.

Each forward-looking statement should be read in context with, and with an understanding of, the various other disclosures concerning our company and our business made elsewhere in this prospectus. You should not place undue reliance on any forward-looking statement as a prediction of actual results or developments. We are not obligated to update or revise any forward-looking statement contained in this prospectus to reflect new events or circumstances, unless and to the extent required by applicable law.

SUMMARY OF PROSPECTUS

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Capitalized terms not defined in this summary will have the meaning provided on the cover page, in the “Glossary” or elsewhere in this prospectus.

The Company’s Business:

We started our business in 2005 in the area of consumer reports, with an initial focus on identity theft victims. We conduct our business under the trade name, “ID Watchdog”, registered with the Colorado Secretary of State.

Identity theft occurs when someone fraudulently uses personal identifying information (e.g. name, birthdate, social security number, credit card number) to obtain goods or services under the identity theft victim’s name. The FBI has named identity theft as one of the fastest growing crimes in the United States.

We have developed three services, branded as ID WatchdogSM, ID SnapShotSM and ID RehabSM, which are designed to work together to provide solutions for detection and resolution of identity theft and other consumer report problems:

- **ID WatchdogSM** is our custom identity monitoring service based upon a process that examines certain consumer databases to identify leading indicators of identity theft or manipulation;
- **ID SnapShotSM** is our consumer report analysis service which draws information from numerous additional key databases to determine the extent and source of damage that may have been caused by identity theft or inaccurate data; and
- **ID RehabSM** is our resolution service which seeks to correct and restore records to their state before the occurrence of data manipulation by working with companies that maintain the records and through the use of a power of attorney from our customers.

On October 23, 2007, we filed a provisional patent application for our identity theft detection and monitoring services and processes with the United States Patent and Trademark Office.

In late 2007, we launched our marketing plan and began the sale of our services to the public in the United States.

We currently offer our three services under an “ID Watchdog PlusSM” plan for a monthly subscription fee of U.S.\$19.95. All customers are initially required to pay a U.S.\$1.95 verification fee in order to verify their identity and then, during an initial 15-day free trial period, we provide them with a baseline report with their personal data which is obtained from a variety of public information databases. If this initial baseline report discloses no identity theft indications, customers may then commence a subscription to ID Watchdog PlusSM. If, during the course of a customer’s subscription to ID Watchdog PlusSM, identity theft indications arise through the ongoing ID WatchdogSM monitoring service, the customer may request the ID SnapShotSM service included in the subscription to investigate additional databases for the purposes of uncovering the extent and source of any identity theft. If there are such identity theft indications, the ID RehabSM service included in the subscription would be provided to attempt to resolve any items of identity theft appearing in the customer’s personal records.

If a customer’s initial baseline report discloses possible identity theft issues, the customer is given the opportunity to separately purchase each of our ID SnapShotSM and ID RehabSM services to first identify and then resolve, as necessary and possible, the identity theft issues.

The current cost for our ID SnapShotSM service is U.S.\$99.95 and the current cost for our ID RehabSM service is U.S.\$79.95 for each line item in a database that requires correction. Should the customer then purchase a subscription to ID Watchdog PlusSM and new identity theft indications arise during the course of the subscription, the identification and resolution of the identity theft problems through our ID SnapShotSM and ID RehabSM services, as necessary and possible, would be covered by the U.S.\$19.95 monthly subscription fee.

For customers who have already experienced identity theft or data corruption, our ID SnapShotSM and ID RehabSM services are also available for purchase separately at the above-mentioned prices whether or not a subscription to ID Watchdog PlusSM is subsequently purchased.

From the inception of our business on July 27, 2005 through March 31, 2008, we have incurred an operating loss and net loss applicable to the Ordinary Shares of approximately U.S.\$6.0 million and U.S.\$7.4 million, respectively. Our revenue during this period was U.S.\$1.1 million.

The Offering: 17,000,000 Units, each Unit consisting of one Ordinary Share and one-half of one Warrant. Each whole Warrant will entitle the holder thereof to acquire one additional Ordinary Share at an exercise price of \$0.90 per Ordinary Share for a period of 24 months from the Listing Date. See “Description of Share Capital and Securities Distributed” and “Plan of Distribution”.

Amount: \$10,200,000

Price: \$0.60 per Unit

Use of Proceeds and Available Funds: The net proceeds to the Issuer from the sale of the Units will be approximately \$8,859,000, after deducting the Agents’ Commission of \$816,000, the Corporate Finance Fee of \$150,000 and the estimated cash expenses of the Offering of approximately \$375,000 (including the Agent’s expenses).

The table below sets forth the calculation of the amount of the Company’s expected available funds after the completion of the Offering.

Estimated net proceeds ⁽¹⁾	\$8,859,000
Estimated working capital ⁽²⁾	\$100,000
Total Available Funds	<u>\$8,959,000</u>

(1) Excludes proceeds from any exercise of the Warrants and the Agents’ Warrants.

(2) As at July 31, 2008.

The proposed principal uses of the Available Funds are as follows:

Direct response advertising costs during next six months	\$4,940,000
Commissions to marketing agents during next six months	\$2,084,000
Call centre marketing operations during next six months	\$1,196,000
Other marketing expenses	\$450,000
To provide general working capital to fund ongoing operations ⁽¹⁾	\$289,000
TOTAL	<u>\$8,959,000</u>

(1) The Company expects to fund its general and administrative expenses from anticipated gross profits.

Risk Factors:

An investment in the Units offered hereby is speculative and involves a high degree of risk that should be considered by potential investors. An investment in the Units should only be undertaken by those persons who can afford the total loss of their investment. These risks include, without limitation, the following:

- As a start-up company with a limited operating history, we will have limited resources and be dependent on outside financing and we may encounter a number of difficulties that are beyond our control during the development of our business.
- We expect future losses from our operations until such time, if any, that we attain sufficient sales growth.
- Our need for substantial additional financing in the near future may be affected by our current financial structure which includes outstanding debentures and warrants.
- The occurrence of certain events may result in the mandatory redemption of our 9% Convertible Debentures which could cause serious liquidity issues.
- If our services fail to gain market acceptance, our business could suffer with increased costs and reduced income.
- Our marketing strategies may not be successful, which could adversely affect our future revenues and profitability.
- The operations of our outside suppliers could disrupt our business, increase our costs and cause us to be unable to deliver our services.
- We may be unable to protect our intellectual property, which could affect our ability to compete effectively.
- We could be subject to claims that we have infringed on the proprietary rights of others, which claims would likely be costly to defend, could require us to pay damages and could limit our ability to use necessary technologies in the future.
- Any changes to laws which would reduce consumers' rights to access third party records of their personal information and rights to request correction of inaccurate records would adversely affect our business which is dependent on such consumer rights continuing.
- Our failure to retain key personnel (or to attract suitable replacements) on which we depend could harm our business.
- The market for identity protection services may be smaller than we expect which would adversely affect our anticipated future revenues.
- We may be unable to compete successfully with our present or future competitors (some of whom may have greater resources).
- Economic downturns may cause a reduction in demand for our services.
- The full conversion or exercise of our outstanding convertible or derivative securities will substantially dilute the investment of holders of Ordinary Shares.
- Our Ordinary Shares are likely to be subject to significant price volatility due to a potential thin trading market and the speculative nature of the investment and you may be unable to sell at or near ask prices or at all.
- If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.
- We may be subject to potential litigation at the suit of the New York City Department of Consumer Affairs in connection with our advertisements and we may not be able to settle any such potential litigation on terms that will not result in material adverse impact on the Company.
- State legislation regulating insurance or credit services may be interpreted broadly to cover the services that we provide, in which event, we may be subject to allegations by regulators that we are illegally providing services which we are not licensed to provide.

See "Risk Factors" for more details on the above.

Summary Financial Information

The selected financial information set out below is based on and derived from the audited and unaudited financial statements of ID Rehab Corp. (prior to the Reorganization) as of the dates and for the periods indicated, prepared in accordance with U.S. GAAP, and should be read in conjunction with “Selected Financial Information” and “Management’s Discussion and Analysis” and the financial statements and the accompanying notes which are included elsewhere in this prospectus. There are no financial statement items which require reconciliation in order to comply with Canadian GAAP.

	<u>Three Months Ended</u>		<u>Year Ended</u>		<u>Period from</u>
	<u>March 31, 2008</u>	<u>March 31, 2007</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>	<u>July 27, 2005 to</u>
	<u>(unaudited)</u> <u>(U.S.\$)</u>	<u>(unaudited)</u> <u>(U.S.\$)</u>	<u>(audited)</u> <u>(U.S.\$)</u>	<u>(audited)</u> <u>(U.S.\$)</u>	<u>December 31,</u> <u>2005</u> <u>(audited)</u> <u>(U.S.\$)</u>
Statement of Operations:					
Revenue	\$ 891,326	\$ 1,855	\$ 159,681	\$ 29,962	\$ —
Total Operating Expenses	\$ (2,383,699)	\$ (349,725)	\$ (2,816,530)	\$ (1,313,354)	\$ (276,925)
Net Loss	\$ (1,912,004)	\$ (356,991)	\$ (3,120,374)	\$ (1,312,399)	\$ (278,091)
Net Loss Applicable to Common Shares	\$ (2,639,533)	\$ (356,991)	\$ (3,312,037)	\$ (1,312,399)	\$ (278,091)
		<u>As at</u> <u>March 30, 2008</u> <u>(unaudited)</u> <u>(U.S.\$)</u>	<u>As at</u> <u>December 31, 2007</u> <u>(audited)</u> <u>(U.S.\$)</u>	<u>As at</u> <u>December 31, 2006</u> <u>(audited)</u> <u>(U.S.\$)</u>	
Balance Sheet Data:					
Cash		\$ 2,349,946	\$ 631,665	\$ 308	
Total Assets		\$ 3,214,652	\$ 1,408,385	\$ 108,161	
Total Liabilities		\$ 4,115,705	\$ 3,930,493	\$ 446,435	
Total Shareholders’ (Deficit)		\$ (3,542,104)	\$ (2,522,108)	\$ (338,274)	

CORPORATE STRUCTURE

ID Watchdog, Inc. is a limited liability exempted company incorporated on May 13, 2008 under the laws of the Cayman Islands.

The Company's head office is located at Suite 700, 535 Sixteenth Street, Denver, Colorado. The Company's registered office is located at Compass Centre, Shedden Road, P.O. Box 448 GT, George Town, Grand Cayman, KY1 1106, Cayman Islands.

The Company's business was originally conducted through ID Rehab, LLC ("LLC"), a Limited Liability Company formed on July 27, 2005 under the laws of Colorado. On December 12, 2005, a corporate reorganization was completed pursuant to which Identity Rehab Corporation ("ID Rehab Corp."), a Colorado corporation, became the successor corporation to carry on the business.

Pursuant an Agreement and Plan of Merger dated as of June 24, 2008 among ID Rehab Corp., the Company (then a wholly-owned subsidiary of ID Rehab Corp.) and Mergeco, Inc. (then a wholly-owned subsidiary of the Company), Mergeco, Inc. merged into ID Rehab Corp., and ID Rehab Corp. became a wholly-owned subsidiary of the Company (the "Reorganization"). Upon the completion of the Reorganization on June 25, 2008, former shareholders of ID Rehab Corp. exchanged their shares of ID Rehab Corp. for equivalent shares of the Company on a one-for-one basis. Convertible Debentures of ID Rehab Corp. will remain the obligation of ID Rehab Corp. but will be convertible into Ordinary Shares of the Company pursuant to the Agreement and Plan of Merger, as supplemented by an agreement to be entered into between the Company and ID Rehab Corp. providing for procedures for the issuance of Ordinary Shares upon any conversion of the Convertible Debentures.

In this prospectus, a reference to the "Company", "we", "our" or "us" means "ID Watchdog, Inc." (the Cayman Islands company) and, where applicable and as the context requires, includes ID Rehab Corp. and each of Mergeco, Inc. and LLC (prior to their respective mergers into ID Rehab Corp.).

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

We started our business in 2005 in the area of consumer reports, with an initial focus on identity theft victims. We conduct our business under the trade name, "ID Watchdog", registered with the Colorado Secretary of State. During the period from inception of our business to late 2007, we worked to develop our services, conduct pro-bono cases to test and analyze our systems, and conduct proof of concept with our marketing strategy.

We have developed three services, branded as ID WatchdogSM, ID SnapShotSM and ID RehabSM, to provide solutions for detection and resolution of identity theft and other consumer report problems.

On October 23, 2007, we filed a provisional patent application for our identity theft detection and monitoring services and processes with the United States Patent and Trademark Office.

In late 2007, we launched our marketing plan and began sale of our services to the public in the United States. We currently offer our three services under an "ID Watchdog PlusSM" plan for a monthly subscription fee of U.S.\$19.95. For customers who have already experienced identity theft or data corruption, ID SnapShotSM and ID RehabSM services are also available for purchase separately whether or not a subscription to ID Watchdog PlusSM is subsequently purchased.

Outlook

During the remainder of 2008, the Company plans to focus on expanding marketing channels, enhancing and expanding its operations, as required, to enable future growth, including investing in systems and further developing data vendor relationships.

DESCRIPTION OF BUSINESS

Summary

The Company has one business segment, which provides services relating to detection and resolution of identity theft issues. The Company's present market is in the United States and its services are mainly distributed electronically through the use of telecommunications and the Internet. Some marketing materials and identity theft services (mainly reports) are distributed through the mail. During 2007 and 2006, we were primarily in a start-up mode and recognized revenue from our services of U.S.\$159,681 and U.S.\$29,962, respectively. During the three months ended March 31, 2008, revenues grew to U.S.\$891,326 for that period. All revenues resulted from the sale of our services to outside customers.

Identity Theft Problem

Identity theft occurs when someone fraudulently uses personal identifying information (e.g. name, birthdate, social security number, credit card number) to obtain goods or services under the identity theft victim's name. The United States Federal Bureau of Investigation ("FBI") has named identity theft as one of the fastest growing crimes in the United States. The United States Federal Trade Commission ("FTC") estimates that as many as 9 million Americans have their identities stolen each year through their personal information being obtained in a variety of unauthorized ways. The long-term result of identity theft to the consumer is damaged personal records that may lead institutions which make decisions based on personal data reports to unjustly view a consumer as a greater risk when applying for jobs, credit cards, loans, visas and so on. In extreme cases, identity theft victims may be arrested for crimes that they did not commit. While the impact of identity theft crimes may be difficult to quantify, the FBI reports that law enforcement and consumer advocacy groups agree that financial institutions lose billions of dollars each year to identity theft and consumers face additional hardships, ranging from financial loss to time spent trying to undo the harm caused to their credit records and other aspects of their lives. An FTC survey reports that identity theft victims spent over 200 million hours in 2005 attempting to recover from identity theft. We believe that the issue of identity theft will continue to increase in importance due to increased occurrences, rising consumer awareness and widespread media coverage.

Overview of Services and ID Watchdog PlusSM

We have developed three services, branded as ID WatchdogSM, ID SnapShotSM and ID RehabSM, which are designed to work together to provide solutions for detection and resolution of identity theft and other consumer report problems:

- **ID WatchdogSM** is our custom identity monitoring service based upon a process that examines certain consumer databases to identify leading indicators of identity theft or manipulation. Through our ID WatchdogSM service, our customers are alerted to events which signal that potential identity manipulation is occurring;
- **ID SnapShotSM** is our consumer report analysis service which draws information from numerous additional key databases to determine the extent of damage that may have been caused by identity theft or inaccurate data. Our ID SnapShotSM service provides more detailed information about a customer's identity to pinpoint suspected consumer database manipulation; and
- **ID RehabSM** is our resolution service which seeks to correct and restore records to their state before the occurrence of data manipulation by working with companies that maintain the records and through the use of a power of attorney from our customers.

We currently offer our three services under an "ID Watchdog PlusSM" plan for a monthly subscription fee of U.S.\$19.95. All customers are initially required to pay a U.S.\$1.95 verification fee in order to verify their identity and then, during an initial 15-day free trial period, we provide them with a baseline report with their personal data which is obtained from a variety of public information databases. If this initial baseline report discloses no identity theft indications, customers may then commence a subscription to ID Watchdog PlusSM. If, during the course of a customer's subscription to ID Watchdog PlusSM, identity theft indications arise through the ongoing ID WatchdogSM monitoring service, the customer may request the ID SnapShotSM service included in the subscription to investigate additional databases for the purposes of uncovering the extent and source of any identity theft. If there are such

identity theft indications, the ID RehabSM service included in the subscription would be provided to attempt to resolve any items of identity theft appearing in the customer's personal records.

If a customer's initial baseline report discloses possible identity theft issues, the customer is given the opportunity to separately purchase each of our ID SnapShotSM and ID RehabSM services to first identify and then resolve, as necessary and possible, the identity theft issues. Should the customer then purchase a subscription to ID Watchdog PlusSM and new identity theft indications arise during the course of the subscription, the identification and resolution of the identity theft problems through our ID SnapShotSM and ID RehabSM services, as necessary and possible, would be covered by the U.S.\$19.95 monthly subscription fee.

For customers who have already experienced identity theft or data corruption, our ID SnapShotSM and ID RehabSM services are also available for purchase separately whether or not a subscription to ID Watchdog PlusSM is subsequently purchased.

To July 31, 2008, we have enrolled a total of approximately 133,000 customers, including approximately 100,000 new customers enrolled in 2008 after the introduction of our inclusive ID Watchdog PlusSM plan. As at July 31, 2008, we had approximately 56,000 customers with active subscriptions.

We also offer a "Plus 10" program which allows an ID Watchdog PlusSM subscriber to add unlimited immediate family members living in the same household to the subscriber's account for an additional monthly charge to the subscriber's credit card of U.S.\$10.00 per person added.

ID WatchdogSM

ID WatchdogSM is a monitoring service aimed at early detection of potential identity theft. Because of the increasing importance and dynamic nature of consumer information databases, we believe that ID WatchdogSM offers value to a broad market in the United States.

To date, identity theft monitoring has been largely fulfilled by credit monitoring services. We believe identity thieves have identified this trend and evidence suggests sophisticated identity theft networks may be taking advantage of credit monitoring services to help in stealing identities. Credit monitoring provides alerts when accounts are opened, charges are applied, payments are made and when numerous other changes occur. Because credit monitoring only addresses issues with an individual's credit, thieves are moving beyond credit reports into other areas of identity theft. Our ID WatchdogSM service provides identity monitoring in several other areas of identity information as well as the monitoring of credit reports. ID WatchdogSM also provides customers with updates of relevant changes to their identity profile.

ID WatchdogSM monitors key components of a customer's information reports, including first and last name, address, social security number, date of birth, and phone number. These components comprise the core of an individual's identity information and data manipulation often results in damage to an individual's record. We input identity data purchased from several third-party providers into our systems and using our proprietary software we provide a comprehensive monitoring service to detect potential identity theft activities. We have partnered with several data providers to provide us with real-time data for this monitoring service. This data includes information from numerous databases including: financial databases, cheque writing records, credit reporting agencies' records, insurance records, department of motor vehicles records, voter registration records, hunting and fishing license records and other databases. Most of this data is publicly available, but not easily accessible, and we have contracted with several third-party providers to collect and organize the data to suit our needs. We are not reliant on any single provider for this information and believe we could readily replace any provider who is unable to fulfill our requirements. We have established multiple and redundant relationships with data providers to ensure that no one provider could withhold access to information that could result in potential harm to our business.

ID SnapShotSM

Historically, people have looked to their credit reports for evidence of identity theft. Fixing damaged records was generally limited to credit reports, but in reality, the victim's life may have been affected in many other ways. We

believe identity thieves are not only interested in an individual's financial identity but can also benefit by manipulating other databases. Our ID SnapShotSM service assesses the affected areas of an individual's identity.

ID SnapShotSM is designed to pinpoint the exact areas of concern highlighted in the ID WatchdogSM report. Once consolidated, the ID SnapShotSM information is analyzed and presented in an easy-to-read format highlighting areas of concern. The report is coupled with a one-on-one consultation with one of our representatives to provide further analysis and assistance. Like our ID WatchdogSM service, ID SnapShotSM relies on database information purchased from third-party data providers. ID SnapShotSM queries databases in the following areas for signs of identity theft:

Database	Information	Impacts
Credit Records	Personal credit history	Personal interest rates and loan approval likelihood
Chequing Account Records	Cheque writing and debit transactions	Cheque writing approval on retail purchases and/or the ability to open chequing/debit accounts
Department of Motor Vehicle Records	Driver's license, vehicle registration and driving history	Auto insurance rates, ability to obtain/renew a driver's license, employment eligibility
Medical Records	Insurance information referring to health and/or longevity	Health insurance rates and employment eligibility
Social Security Identification Records	Social security number verification and address history	Benefit eligibility and status; social security number is the key consumer identifier
National Security Records	Most wanted by Interpol, FBI, United Nations, and Department of Homeland Security	Ability to travel, both domestically and internationally
Criminal Records	Sex Offender, Department of Corrections, arrests and national warrant records	Employment, personal freedom and standard of living
Court Records	Voter registration, bankruptcy, civil, and appellate records	Employment, financial viability and lien complications

The ID SnapShotSM service is included in ID Watchdog PlusSM subscriptions where identity theft indications are detected after enrollment. The current purchase price for the ID SnapShotSM service and report is U.S.\$99.95 when purchased separately by customers who may already be a victim of identity theft.

ID RehabSM

Resolving identity theft problems is a very complicated process. Navigating through the maze of data bureaus is very time consuming and may result in incomplete resolution. Our ID RehabSM service provides trained individuals to correct corrupted or damaged records and relieves the consumer of the burden of trying to solve these problems personally.

For our ID RehabSM service, we use a power of attorney to act on the customer's behalf to attempt to resolve issues and repair damaged records. We believe that our ID RehabSM service is unique and has the potential to address many facets of identity theft and damaged identity records. ID RehabSM presents a turn-key solution for customers seeking to quickly and efficiently recover from identity theft. ID RehabSM includes an initial screening process and a victim certification process to provide full-service resolution of identity issues.

Our ID RehabSM service includes acquiring source documents on each fraudulent or incorrect item or affidavits signed by the victim if source documents are not available. Automated forms coupled with our certification documents are then sent to the appropriate parties for database correction. Each victim has a unique set of circumstances requiring custom-designed solutions. Our ID RehabSM service is flexible and we can customize the service to each customer's situation.

The ID RehabSM service is included in ID Watchdog PlusSM subscriptions to the extent necessary to correct and restore database records after the ID SnapShotSM service is performed. For customers who are already victims of identity theft and wish to purchase the ID RehabSM service separately, for each line item in a database that requires correction, we charge a fee of U.S.\$79.95.

Development of Services

Since our inception, we have worked to develop our services, conducted pro-bono cases to test and analyze our systems, and conducted proof of concept with our marketing strategy. During the period from July 27, 2005 (inception of business) to March 31, 2008, our research and development expenses have amounted to U.S.\$180,067. Included in research and development expenses are payroll and other expense items directly attributable to research and development. We do not outsource our research and development work, nor do we perform research and development work for others.

ID SnapShotSM and ID RehabSM

Starting in 2005, our founders visited industry participants in the United States to define the problem of identity theft from a wide perspective. Specifically, our founders met with several federal agencies including the U.S. Secret Service, the U.S. Postal Service, the FTC, various district attorneys, large metropolitan police departments, anti-fraud departments of several large institutional banks, and independent state banking associations.

We approached these organizations with a dual purpose—to introduce ourselves in the identity theft resolution space and to solicit ideas to improve our proposed services. Each organization shared their current practices and suggested solutions for common problems encountered. By the end of these organization tours, we established a system that addressed many of the concerns voiced by industry constituents. These efforts led to the development of our ID SnapShotSM and ID RehabSM services.

In late 2005, we began pro-bono cases to test our systems. Over the next six months, we completed 100 test cases with the ID RehabSM service. In developing our resolution techniques, we successfully resolved identity theft cases existing in databases maintained by collection agencies, creditors, health insurance providers, banking institutions, various law enforcement agencies, and the National Crime Information Center. There have been, however, a few cases involving some benign entries in criminal databases that have proven more difficult to correct.

In the summer of 2006, we launched a direct sales campaign to establish referral relationships with regional banking associations in the West and Midwest of the United States. We conducted educational seminars for banking personnel and established over 100 relationships with small banks in Colorado and Arizona. On the strength of these relationships, as well as the effectiveness of our ID SnapShotSM and ID RehabSM services, we gained an endorsement from the state banking association in Colorado as the preferred provider of identity theft solutions in Colorado.

In the late fall of 2006, we began targeted direct mail campaigns to individuals in Idaho, Pennsylvania, California, Texas and Colorado whom we believed to be at high risk for identity theft. Using proprietary lists, we were able to generate inbound calls to our call centre to test the response of our ID SnapShotSM and ID RehabSM services for existing identity theft victims. Through these tests, we realized the need for an initial monitoring service, which led to the development of our ID WatchdogSM service.

ID WatchdogSM

We developed our ID WatchdogSM service after receiving responses to our direct mail campaign. We recognized a need for a proactive monitoring service to inexpensively identify manipulation of consumer information which could signal potential identity theft. In January 2007, we entered into an agreement with a third-party data provider to provide custom monitoring of numerous consumer databases for changes in name, address, social security number, date of birth, and phone numbers. When combined, these data fields form the foundation of an individual's "identity".

We now acquire information from various third-party data providers and our proprietary ID WatchdogSM software performs an analysis of the data, sets a baseline identity for customers and compares all new data added and changed to the baseline on an ongoing, monthly basis to allow for the evaluation of the risk of identity manipulation. In addition to the ongoing monitoring of this information, our ID WatchdogSM service identifies new credit accounts and new credit applications from databases maintained by our data aggregators.

ID Watchdog PlusSM

Through the initial marketing of our services, we found that the greatest consumer response to our services was to our ID WatchdogSM service. As a result, we decided to market an ID Watchdog PlusSM plan with the ID WatchdogSM service as the key ongoing monitoring component of the plan. Since the beginning of 2008, new customers to the ID WatchdogSM service may subscribe to the ID Watchdog PlusSM plan at the monthly subscription fee of U.S.\$19.95. Our ID SnapShotSM and ID RehabSM services are provided after consultation with the customer to identify and resolve, as necessary and possible, identity information problems as part of the ID Watchdog PlusSM plan for no additional fees.

For customers who have already experienced identity theft or data corruption, ID SnapShotSM and ID RehabSM services are also available for purchase separately to pinpoint and attempt to resolve problems relating to the identity theft whether or not a subscription to ID Watchdog PlusSM is purchased.

Technology

Our technology platform facilitates ease of processing for high transaction volumes. We have proprietary software and customized off-the-shelf applications that automate internal functions by analyzing data received from our database vendors. Our technology platform uses various programming environments to integrate all disparate database information in real-time to provide accurate custom formatting of customer information. Strict security protocols have been implemented to protect data storage and access to customer information files and to minimize the risk of a security breach.

We collaborate with our vendors for each of our different data systems and designed a fully integrated internal system. This system allows for automatic custom formatting and delivery of each individual customer's report information as well as unique documentation that is provided to database aggregators and data sources as part of data resolution processes. This system allows us to deliver customized customer solutions in high volumes.

Patents and Trademarks

On October 23, 2007, we filed a provisional patent application for our identity theft detection and monitoring services and processes with the United States Patent and Trademark Office. We believe that by patenting our proprietary processes we will maintain an important competitive advantage by deterring the duplication of our methods of identifying potential identity theft. We believe that these unique identification processes, coupled with the intellectual property that we have developed for the efficient resolution of identity theft damages, yield significant competitive advantages.

We are currently exploring applications for, but do not have, servicemark or trademark registrations with the United States Patent and Trademark Office or elsewhere for the services that we currently offer, including ID Watchdog PlusSM, ID WatchdogSM, ID SnapShotSM and ID RehabSM, for which we are claiming servicemark use in the meantime.

Vendor Relationships

To facilitate our monitoring, detection and resolution processes, we have access, through third party service providers, to various key databases, including the following: credit reports, chequing account records, driving records/accident reports, medical records, social security and death indices, national security records, criminal records, and court records including bankruptcies, liens and judgments. We have established relationships with several data aggregators who provide the necessary information for our services. The combination of this data along

with our proprietary software and trained staff enables us to provide our suite of services. We believe that we can readily replace any of our data providers should our requirements not be fulfilled by any of them.

Sales and Marketing

Market Analysis

Through our market research, we learned that although various demographic and geographic characteristics closely define the customer, there are different categories of customer needs within them, including existing credit monitoring subscribers, “at-risk” consumers, and actual identity theft victims. In addition, due to growing consumer awareness of the impact of their own consumer reports, we believe that there is future opportunity for our services in consumer transaction markets.

Existing Credit Report Monitoring Subscribers Market

Credit report monitoring services have been positioned as the first consumer product to protect against identity theft. We believe that our ID WatchdogSM service can offer existing credit report monitoring subscribers significant benefits not available through traditional monitoring services, including:

- Comprehensive monitoring of data changes from thousands of sources beyond the three credit reporting agencies;
- Assurance of more frequent scans of core identity data;
- Expert review of all alerts to eliminate false alarms;
- Immediate option to fully scope data intrusions upon detection; and
- The security of full service restoration option upon discovery of unauthorized access.

“At-Risk” Consumers Market

Through media reports of identity theft cases, notifications to consumers of security breaches involving various retailers, institutions and organizations where consumers’ personal information may have been compromised, and announcements of government and law enforcement priorities to tackle identity theft problems, we believe that many Americans now realize that their personal information may be used in damaging ways. We believe these consumers will be motivated to purchase our services. Consumers in this potential market include:

- Members or customers of an organization that has experienced a data breach, either physical or electronic, and has sent “breach notifications”;
- People who live in an area where widespread mail theft has recently occurred; and
- Anyone that has lost or experienced the theft of their wallet, credit cards, or other personal belongings which contain sensitive information.

We believe that our ID Watchdog PlusSM plan has the potential to be embraced in this market by people who understand the importance of their personal information and the potential negative impact they can experience from malicious use of that data.

Identity Theft Victims Market

Besides the time and expense required for an identity theft victim to recover from a case of identity theft, we have identified the following barriers to successful recovery:

- Most individuals do not know how to access their public and private records to sufficiently scope the identity theft;
- Resolution is aided by an existing familiarity with all relevant databases and legislation;
- Average consumers do not have adequate time to aggregate and sufficiently absorb all the necessary resources to guide recovery;

- Information sources and data aggregators are biased against individual consumers' requests for data record correction; and
- Retaining legal counsel is expensive and ineffective at many aspects of recovery.

We believe that our ID RehabSM service overcomes all of these barriers and provides a fast and convenient recovery option for victims of identity theft at an affordable price.

Consumer Transaction Markets

We believe that overall consumer awareness of the importance of their personal information is increasing and that consumers are also realizing that their personal information data may be inaccurate and this erroneous data may be used against them. We believe that, as these trends continue, there are opportunities to attract new customers while they are involved in specialized activities, such as:

- Large financed purchases such as a house or automobile;
- Changes in employment;
- Military or government promotion requiring security clearance;
- Applying for new banking accounts or credit cards; and
- Applying for insurance.

We currently plan to hire two senior level business development managers by the end of the third quarter of 2008 to establish a partnership program which will initially focus on customer referrals through financial services firms, family offices that manage finances of wealthy families, and data security companies.

Pricing Strategies

Current competitive prices for a credit monitoring service range from U.S.\$4.95 to U.S.\$14.95 per month. See "Competition". While the U.S.\$19.95 monthly subscription fee for our inclusive ID Watchdog PlusSM plan is higher than the monthly fees charged by competitors, we believe that our ID WatchdogSM service provides a more comprehensive and effective service through comprehensive coverage of databases beyond credit reports. More importantly, if, during the course of a customer's subscription to ID Watchdog PlusSM, identity theft indications arise through the ongoing ID WatchdogSM monitoring service, our ID SnapShotSM service and, if necessary, our ID RehabSM service would be provided to identify and attempt to resolve any identity theft issues as part of the ID Watchdog PlusSM subscription for no additional fees. Furthermore, based on initial testing of marketing of just the ID WatchdogSM service for a monthly fee of U.S.\$9.95 and marketing of the inclusive ID Watchdog PlusSM plan for the monthly fee of U.S.\$19.95, we did not find any significant difference between the two rates of customer acquisition.

Our "Plus 10" program also allows an ID Watchdog PlusSM subscriber to add unlimited immediate family members living in the same household to the subscriber's account for an additional monthly charge to the subscriber's credit card of U.S.\$10.00 per person added.

For customers who have already experienced identity theft or data corruption, ID SnapShotSM and ID RehabSM services are also available for purchase separately whether or not a subscription to ID Watchdog PlusSM is subsequently purchased. The current purchase price for the ID SnapShotSM service and report is U.S.\$99.95. For our ID RehabSM service, we charge a fee of U.S.\$79.95 for each line item in a database that requires correction.

Sales and Marketing Arrangements

We have experimented with various marketing techniques and have established promising response volumes to a number of different direct-to-consumer campaigns. Internet marketing affiliates and partnerships, in addition to Direct Response TV ("DRTV") campaigns, have yielded the majority of our customer base to date. Based on the results of our marketing tests in these areas, we are actively increasing our marketing activities through the end of 2008 and are presently pursuing the following activities:

- Internet Partnerships. In November 2007, we entered into a marketing services agreement with an online merchant which provides proprietary credit card services. Pursuant to this agreement, the online merchant offers our ID Watchdog PlusSM plan for sale to consumers in conjunction with unrelated online transactions. We pay the online merchant a fee for each new customer referred by them. Referred customers are offered the same services and are charged in the same manner as for all our other customers. To July 31, 2008, we have generated between 11,000 to 16,000 new customers per month through this online merchant and are aiming to maintain this monthly volume of new customers through this online merchant and other possible Internet partnerships. This agreement may be terminated by either party upon 30 days' notice.
- eCommerce. We are currently spending approximately U.S.\$20,000 per month on establishing a marketing program which will operate through Internet search engines and developing networks of Internet publishers to generate new customer leads. This level of spending will increase slightly as we gain momentum in these channels. The search engine aspect of this marketing program will include both natural Search Engine Optimization to direct potential customers to our website, as well as paid placement through services such as Google's Adwords. With our Internet affiliates program, our goal by the end of 2008 is to gain Internet marketing relationships with 50 Internet affiliate networks and 100 individual publishers of Internet content administered in-house.
- Long-Form DRTV. We have produced a 28-minute infomercial featuring television celebrity Sheriff John Bunnell and testimonials from customers. We began testing different placements of this infomercial in August 2008 and anticipate spending approximately U.S.\$350,000 per month in September 2008 and through the remainder of 2008. This spending level is planned to increase in the fourth quarter of 2008 as we identify the most cost-effective placements of our infomercial.
- Short-Form DRTV, Radio, Print. We have developed a television advertising campaign consisting of 60 and 120-second commercials using our spokesperson, Sheriff John Bunnell, and customer testimonials, as well as appearances on morning business shows in 10 cities in the United States. This campaign will be supported with increased radio and print activities. Under our 2008 marketing plan, we plan to spend approximately U.S.\$300,000 per month on short-form television, radio and print advertisements.
- Business Development. By the end of the third quarter of 2008, we plan to hire two senior level business development managers to establish a partnership program. This program will focus on opportunities with financial services firms, family offices that manage finances of wealthy families, and data security companies and will include co-branding, private labelling, and revenue share agreements. Our target is for six relationships to be signed by the end of 2008.
- Call Centre Expansion. To capitalize on the volume of traffic generated through our marketing campaigns, we are also investing in the expansion of our customer acquisition call centre operations. We plan to add call centre personnel to our existing 14 agents as demand for our services dictates and to add personnel with experience in script writing and in the development of training programs.

We plan to increase the combined monthly spending for all of the above marketing activities to approximately U.S.\$1.4 million per month during the fourth quarter 2008.

Competition

We believe that the consumer data industry has historically provided advantages to entities aligned against the consumer. As such, access to consumer information has been limited to sophisticated organizations, such as credit card companies, banks, government agencies and most recently, identity theft networks. The call for equal consumer access has become more pronounced in recent years, leading to a burgeoning industry providing monitoring of consumer reports directly to consumers. The main benefactors of this development have been the large data aggregators themselves. A number of non-profit advocacy organizations have come to prominence by providing advice and resources to the individual consumer. We are among a small group of for-profit companies aligning with consumers to access and correct the information contained in personal consumer reports. Furthermore,

we believe our relationships with industry constituents, as well as our in-house expertise, give us a competitive advantage in comprehensive consumer solutions. We believe that the environment for consumer solutions encompasses three main areas, as described below.

Monitoring

The area of identity theft monitoring is comprised of companies providing a monitoring service and, in some cases, coupled with insurance coverage in the case of unauthorized use of information. These services are generally limited to monitoring credit report databases. We believe that the market for comprehensive monitoring of all consumer databases is nascent with several companies competing for market share. Our primary known competitors in the monitoring niche are identified below:

- LifeLock. Places fraud alerts on a customer's credit reports every 90 days for a monthly fee of approximately U.S.\$9.00. LifeLock has a published base of 700,000 customers and recently closed a U.S.\$25 million private placement led by Goldman Sachs.
- Experian, Equifax and TransUnion. Three credit bureaus providing monthly consumer credit report monitoring services for U.S.\$12.95 to U.S.\$14.95 per month. These credit bureaus benefit from being proprietors of credit report databases.
- Intersections. Provides a monthly consumer credit report monitoring service for U.S.\$12.99 per month through its Identity Guard brand.

Access and Analysis

Automated consumer access to credit report databases has become widespread. We believe, however, that access alone, without compilation and expert analysis of this data, provides limited value to consumers. Additionally, we believe that consumer database access and analysis beyond credit reports has not been previously offered to consumers. Our primary known competitors in the access and analysis niche are identified below:

- ChoicePoint. Leading data aggregator providing limited access to consumer files for consumers. ChoicePoint has an advantage in being the aggregator and "owner" of the data it collects. Its primary sales are business-to-business.
- Axciom. Leading data aggregator providing limited access to consumer files for consumers. Axciom has an advantage in being the aggregator and "owner" of the data it collects. Its primary sales are business-to-business.
- Fair Isaac. Offers an Identity Theft Security Deluxe subscription that includes credit report and score analysis, identity theft insurance coverage, and monitoring of additional data sources.

Data Correction

There are two primary methods for correcting information in consumer databases: consumer do-it-yourself resolution ("D-I-Y") and full service professional resolution. Non-profit consumer advocacy groups and the FTC provide D-I-Y assistance. We believe, however, that navigation through the consumer data bureaucracy is very difficult and very time consuming. Relatively new is full service professional resolution, such as our ID RehabSM service, which requires a power of attorney from the consumer and promises faster and more comprehensive results. As we are in the early stages of the data correction aspect of the industry, consumers may not yet be aware of available full-service resolution services. Accordingly, our primary known competitors in the "data correction" services industry include the following organizations, some of which are governmental or non-profit organizations assisting with D-I-Y solutions:

- FTC. The FTC is charged by Congress to help consumers prevent and recover from identity theft. The FTC publishes a resource booklet for consumers entitled “Take Charge: Fighting Back Against Identity Theft.”
- PrivacyRights.org. Non-profit organization that provides D-I-Y resources and advice to consumers. PrivacyRights benefits from a strong web presence and the support of independent consumer advocates.
- Identity Theft Resource Center (“ITRC”). Non-profit organization that provides D-I-Y resources and advice. ITRC benefits from a strong web presence and the support of independent consumer advocates.
- Kroll/Pre-Paid Legal. Power of attorney identity theft resolution services are provided with identity theft insurance subscription. This service benefits from the support of Kroll’s resources and the existing marketing structure of Pre-Paid Legal.
- Identity Theft 911. This company provides identity theft resolution services utilizing a power of attorney. The services are offered for sale primarily as a benefit coverage service directly to organizations such as universities and credit unions.

To address costs of data correction, AIG offers “Personal Internet and Identity Coverage” insurance to provide expert assistance and up to U.S.\$25,000 in coverage for financial relief for identity restoration costs, legal defense expenses, and lost wages (for up to four weeks at up to U.S.\$500 per week), with a zero deductible.

Employees

As at July 31, 2008, we had 30 full-time employees and one part-time employee.

USE OF PROCEEDS

Net Proceeds and Available Funds

The net proceeds to the Issuer from the sale of the Units will be approximately \$8,859,000, after deducting the Agents’ Commission of \$816,000, the Corporate Finance Fee of \$150,000 and the estimated cash expenses of the Offering of approximately \$375,000 (including the Agent’s expenses).

The table below sets forth the calculation of the amount of the Company’s expected available funds after the completion of the Offering.

Estimated net proceeds ⁽¹⁾	\$8,859,000
Estimated working capital ⁽²⁾	\$100,000
Total Available Funds	\$8,959,000

(1) Excludes proceeds from any exercise of the Warrants and the Agents’ Warrants.

(2) As at July 31, 2008.

Principal Purposes for Available Funds

The proposed principal uses of the Available Funds are as follows:

Direct response advertising costs during next six months ⁽¹⁾	\$4,940,000
Commissions to marketing agents during next six months ⁽¹⁾	\$2,084,000
Call centre marketing operations during next six months ⁽¹⁾	\$1,196,000
Other marketing expenses	\$450,000
To provide general working capital to fund ongoing operations ⁽²⁾	\$289,000
TOTAL	\$8,959,000

(1) If the Company becomes cash flow positive within the next six months, any Available Funds that are not needed for this item will be added to the Company's general working capital.

(2) The Company expects to fund its general and administrative expenses from anticipated gross profits.

The Company intends to spend the funds available to it as stated in this prospectus. There may be circumstances, however, where, for sound business reasons, a reallocation of funds may be necessary.

Business Objectives and Milestones

We intend to use the Available Funds to fund marketing expenses during the next six months or until such time that the Company becomes cash flow positive. See "Description of Business—Sales and Marketing" for a description of the proposed uses of the Available Funds and the milestones that we intend to achieve.

Unallocated Funds

Any unallocated funds, including initial Available Funds and Available Funds in excess of actual expenditures for marketing efforts, will be added to the working capital of the Company. It is the Company's policy to invest excess cash in money market accounts or similar low risk instruments providing maximum liquidity at reputable financial institutions. Investment of excess cash is under the direction of the Company's Chief Financial Officer ("CFO") and as approved by the Company's CEO.

Other Sources of Funding

If we successfully achieve the goals set out in our business plan to acquire and retain the targeted number of customers and maintain our budgeted level of expenses to do so, we anticipate that we will become cash flow positive during the first quarter of 2009. With existing working capital, anticipated net proceeds from the Offering, and anticipated cash flow from operations, we expect to have sufficient funds to cover budgeted operating expenses of U.S.\$10.0 million during the next six months (comprised of marketing expenses of U.S.\$8.7 million and general and administrative expenses of U.S.\$1.3 million). Marketing expenses are discretionary in nature and, if necessary, we will adjust our rate of marketing expenditures after taking into consideration our actual gross profits, if any, in order to ensure that our Available Funds will cover our expenses until such time as we may become cash flow positive.

Any gross profits in excess of general and administrative expenses will be first used for planned advertising, commissions and marketing expenses in excess of Available Funds during the next six months. Remaining gross profits, if any, would be used for working capital purposes.

In addition, proceeds from any exercise of the Warrants and the Agents' Warrants and other outstanding (or issuable) warrants and stock options of ID Rehab Corp. or the Company that are exercisable for Ordinary Shares will be used for working capital. If all of these securities were to be exercised, we would receive additional funds totalling approximately Cdn.\$22.5 million. There is, however, no assurance that exercises of any of these securities

will occur. As of the date hereof, there are outstanding (or issuable) warrants of ID Rehab Corp. exercisable for approximately 20,207,066 Ordinary Shares at prices ranging from U.S.\$0.35 to U.S.\$0.90 (see “Description of Share Capital and Securities Distributed—Outstanding or Issuable Warrants”). All of these warrants of ID Rehab Corp. contain cashless exercise provisions which, upon certain conditions, permit the holder to exercise these warrants on a net cash exercise basis and receive Ordinary Shares without payment of any cash consideration. It is unlikely that we will receive any cash proceeds from the exercise of these warrants if they are in-the-money at the time of exercise.

DIVIDENDS OR DISTRIBUTIONS

We have neither declared nor paid any cash dividends. For the foreseeable future, we intend to retain any earnings to finance the development and expansion of our business, and do not anticipate paying any cash dividends on the Ordinary Shares. Any future determination to pay dividends will be at the discretion of our board of directors and will be dependent upon then existing conditions, including our financial condition, results of operations, capital requirements, contractual restrictions, business prospects, and other factors that our board of directors considers relevant. The terms of the Convertible Debentures also prohibit us from paying dividends without the consent of the holders of a majority of the principal amount of the Convertible Debentures. See “Description of Share Capital and Securities Distributed—Convertible Debentures”.

Although the Company was formed under the laws of the Cayman Islands, it will be treated as a domestic corporation for United States federal income tax purposes. Accordingly, if the Company pays a dividend to a Canadian resident shareholder, the Company will be required to withhold United States income tax at the rate of 15% of the gross amount of the dividend (or 5% in the case of a Canadian resident shareholder that is a company beneficially owning at least 10% of the Company’s voting shares). The receipt of such a dividend by a Canadian resident shareholder would be subject to Canadian federal income tax and it is unlikely that such Canadian resident shareholder would be entitled to a foreign tax credit or deduction with respect to the United States income tax withheld.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the results of operations and financial condition of ID Rehab Corp. (prior to the Reorganization) should be read in conjunction with the audited financial statements of the Company for the fiscal years ended December 31, 2005, 2006 and 2007 and the unaudited interim financial statements for the three months ended March 31, 2008 and accompanying notes thereto included elsewhere in this prospectus. ID Rehab Corp.'s financial statements are prepared in accordance with U.S. GAAP and are presented in United States dollars. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in "Risk Factors". Actual results may differ materially from those contained in any forward-looking statements. See "Cautionary Notice Regarding Forward-looking Statements".

Overview

Our business was founded in 2005 to provide solutions for detection and resolution of identity theft and other consumer report problems. ID Rehab Corp.'s services provide detection and resolution solutions for identity theft and other consumer report problems. ID Rehab Corp.'s services monitor key data fields in consumer reports, access and analyze full reports, and resolve damage to consumer reports.

During 2006, ID Rehab Corp. spent U.S.\$359,889 on various marketing techniques, but its efforts did not result in significant revenues. As a result, ID Rehab Corp. decided during the fourth quarter of 2006 to decrease its marketing expenditures and focus instead on furthering the development of its services. During the first half of 2007, ID Rehab Corp. focused on development of its services, raising working capital, identifying key constituencies and developing marketing strategies. In the third quarter of 2007, ID Rehab Corp. began marketing its services and continued to enhance its internal systems. During the fourth quarter of 2007, ID Rehab Corp. transitioned from a development stage enterprise into an operating company. ID Rehab Corp. increased its marketing expenditures to U.S.\$1,362,521 in 2007 and has spent an additional U.S.\$1,821,413 during the three months ended March 31, 2008. To July 31, 2008, we have enrolled a total of approximately 133,000 customers, including approximately 100,000 new customers enrolled in 2008 after the introduction of our inclusive ID Watchdog PlusSM plan. As at July 31, 2008, we had approximately 56,000 customers with active subscriptions.

During the third quarter of 2007, ID Rehab Corp. completed a private placement of U.S.\$3,725,291 of Convertible Debentures and common share purchase warrants to provide working capital for developing marketing programs and for general corporate purposes. ID Rehab Corp. realized net cash proceeds from this private placement of approximately U.S.\$2,825,000 after using U.S.\$350,000 of the proceeds to retire existing debt and payment of U.S.\$550,000 of offering costs.

In January 2008, ID Rehab Corp. raised U.S.\$3,500,000 by completing a private placement of its Series A Convertible Preferred Stock with common share purchase warrants. In May and June 2008, ID Rehab Corp. raised an additional U.S.\$1,495,000 pursuant to the Interim Financing by completing a private placement of its Series B Convertible Preferred Stock with common share purchase warrants and a private placement of common shares with common share purchase warrants.

Development and Marketing of Services

ID Rehab Corp. has developed three services that it believes will benefit the customer by detecting and resolving identity theft and other data manipulation. The three services, ID WatchdogTM, ID SnapShotTM and ID RehabTM, are specifically designed to work together and are generally offered together through our ID Watchdog PlusSM plan for a monthly subscription fee. The ID WatchdogSM service assesses a consumer's risk of becoming a victim of identity theft. Customers are alerted upon the occurrence of events which signal that identity manipulation may be occurring. The ID SnapShotSM service provides more detailed information about a consumer's identity data to pinpoint and scope potential identity problems. Once a customer's identity problem is identified, the ID RehabSM service is used to assist the customer in identity theft recovery.

We have experimented with various marketing techniques and have received the most promising response volumes from a number of different direct-to-consumer campaigns. Internet marketing affiliates and partnerships, in addition to "Direct Response TV" campaigns, have yielded the majority of our customer base to date. Based on results of

our marketing tests in these areas, we are actively increasing our marketing activities through the end of 2008. See “Description of Business—Sales and Marketing”.

Notably, ID Rehab Corp. has recently entered into a marketing services agreement with an online merchant providing proprietary credit card services. Pursuant to this agreement, the online merchant offers the ID Watchdog PlusSM plan for sale to consumers in conjunction with unrelated online transactions. ID Rehab Corp. pays the online merchant a fee for each new customer referred by them. This arrangement has generated 92,000 new customers during the period from December 2007 to May 2008 and may be terminated by either party on 30 days’ notice.

Results of Operations

Comparison of the three months ended March 31, 2008 to the three months ended March 31, 2007

Revenue and gross profit

For the three months ended March 31, 2008 and 2007, ID Rehab Corp. recognized revenue of U.S.\$891,326 and U.S.\$1,855, respectively, from the sale of its services. Cost of revenue for the three months ended March 31, 2008 was U.S.\$226,975 resulting in a gross profit of U.S.\$664,351, while cost of revenue for the three months ended March 31, 2007 was U.S.\$2,329 resulting in a gross loss of U.S.\$474. Revenue, cost of revenue and gross profit increased significantly during the first quarter of 2008 as compared to the first quarter of 2007 as ID Rehab Corp. commenced commercial operations during the fourth quarter of 2007.

Marketing expense

ID Rehab Corp.’s marketing expense includes advertising, marketing agents’ commissions, promotional campaigns, direct mailings, printing costs and personnel costs for ID Rehab Corp.’s marketing staff. Marketing expense for the three months ended March 31, 2008 was U.S.\$1,821,413 as compared to U.S.\$36,595 for the three months ended March 31, 2007. The increase in marketing expense from the first quarter of 2007 to the first quarter of 2008 reflects the implementation of new marketing strategies and efforts beginning in the third quarter of 2007. Marketing expenditure rates are expected to increase during the remainder of 2008 due to increased efforts to expand ID Rehab Corp.’s customer base.

General and administrative expense: Consulting, related parties

“General and administrative expense: Consulting, related parties” includes expense incurred in connection with certain consulting agreements with ID Rehab Corp.’s officers, former officers and directors and includes expense associated with the issuance of stock options for related party consulting services.

For the three months ended March 31, 2008, ID Rehab Corp. incurred related party consulting expense of U.S.\$40,417 as compared to U.S.\$153,832 during the three months ended March 31, 2007. This decrease was mainly due to a stock award during the first quarter of 2007, valued at U.S.\$74,500, to ID Rehab Corp.’s former President as part of his separation arrangement. During the first quarter of 2007, ID Rehab Corp. incurred U.S.\$18,000 of related party consulting expense to Justin Yurek, President of ID Rehab Corp. Justin Yurek’s 2008 compensation is included in “General and administrative expense: Other.” “General and administrative expense: Consulting, related parties” applicable to Daryl Yurek, ID Rehab Corp.’s Chairman and CEO, decreased from U.S.\$31,250 in the first quarter of 2007 to U.S.\$25,417 during the same period in 2008 as a result of an adjustment in compensation. In addition, U.S.\$30,082 of advisory board fees and employee stock compensation expense were included in the first quarter 2007 related party consulting expense; these charges are included in “General and administrative expense: Other” during the first quarter 2008.

General and administrative expense: Other

“General and administrative expense: Other” includes salaries, benefits, consultants’ fees (other than related party consultant fees described above), rent, telephone, insurance, depreciation and other general and administrative expenses. These general and administrative expenses amounted to U.S.\$521,869 and U.S.\$144,703 during the three months ended March 31, 2008 and 2007, respectively. The increase in these general and administrative expenses is

primarily due to an increase in employee compensation, benefits and related costs resulting from more employees (four employees at March 31, 2007 compared to 19 employees at March 31, 2008) and from increases in consultant fees, recruiting fees, legal fees, and audit fees resulting from the growth in ID Rehab Corp.'s operations during the past year.

Research and development

"Research and development expense" relates to payroll and other expense items directly attributable to research and development. Research and development expense during the three months ended March 31, 2007 was U.S.\$14,595 and was nil for the three months ended March 31, 2008 due to the fact that ID Rehab Corp.'s proprietary services were fully developed and implemented during 2007. ID Rehab Corp. is not developing any new services or products at this time.

Interest expense, related party

During the three months ended March 31, 2007, ID Rehab Corp. incurred U.S.\$6,792 of "Interest expense, related party" in connection with convertible notes owed to VCC, an entity controlled by the Company's President, Justin Yurek. During the three months ended March 31, 2008, ID Rehab Corp. did not have any interest expense paid to related parties.

Interest expense, other

During the three months ended March 31, 2007, ID Rehab Corp. did not incur any other interest expense as ID Rehab Corp. did not have any other debt during the first quarter of 2007. In June and July 2007, ID Rehab Corp. issued U.S.\$3,725,291 of Convertible Debentures that bear interest at 9% per annum and mature two years from the date of issuance. "Interest expense, other" during the three months ending March 31, 2008, totalled U.S.\$210,497 and included non-cash amortization of deferred financing costs and amortization of debt issuance discount of U.S.\$44,940 and U.S.\$81,685, respectively. The Convertible Debentures pay interest at a nominal rate of 9% and have an effective interest rate of 9.96% after taking into consideration a debt discount resulting from the issuance of warrants as part of the sale of the Convertible Debentures.

Comparison of the year ended December 31, 2007 to the year ended December 31, 2006

Revenue and gross profit

For the years ended December 31, 2007 and 2006, ID Rehab Corp. recognized revenue of U.S.\$159,681 and U.S.\$29,962, respectively, from the sale of its services. Cost of revenue for the year ended December 31, 2007 was U.S.\$86,988 resulting in a gross profit of U.S.\$72,693, while cost of revenue for the year ended December 31, 2006 was U.S.\$21,081 resulting in a gross profit of U.S.\$8,881. Revenue, cost of revenue and gross profit increased dramatically during 2007 as compared to 2006 as ID Rehab Corp. commenced commercial operations during the fourth quarter 2007.

Marketing expense

ID Rehab Corp.'s marketing expense includes advertising, promotional campaigns, direct mailings, printing costs and personnel costs for ID Rehab Corp.'s marketing staff. Marketing expense for the year ended December 31, 2007, was U.S.\$1,362,521 as compared to U.S.\$359,889 for the year ended December 31, 2006. The increase in marketing expense from 2006 to 2007 reflects the implementation of ID Rehab Corp.'s new marketing strategy and marketing efforts beginning in the third quarter of 2007. Marketing expenditure rates are expected to increase during 2008 due to increased efforts to expand ID Rehab Corp.'s customer base.

General and administrative expense: Consulting, related parties

"General and administrative expense: Consulting, related parties" includes expense incurred in connection with certain consulting agreements with ID Rehab Corp.'s officers, former officers, and directors and includes expense associated with the issuance of stock options for related party consulting services.

For the year ended December 31, 2007, ID Rehab Corp. incurred related party consulting expense of U.S.\$346,082 as compared to U.S.\$314,164 during the year ended December 31, 2006. This increase was mainly due to a one-time stock award during the first quarter of 2007, valued at U.S.\$74,500, to ID Rehab Corp.'s former President as part of his separation arrangement. ID Rehab Corp. also incurred a U.S.\$25,978 increase in employee stock-based compensation and other expense (classified as consulting expense, related parties) in 2007 as compared to 2006; a U.S.\$19,000 increase in consulting fees paid to Justin Yurek, ID Rehab Corp.'s President, from U.S.\$39,000 (paid in cash) in 2007 as compared to U.S.\$20,000 (U.S.\$15,000 paid in cash and U.S.\$5,000 paid with stock) in 2006; and a non-recurring U.S.\$43,000 related party consulting expense (U.S.\$38,000 paid in cash and stock option grants valued at U.S.\$5,000) paid to a director of ID Rehab Corp. in 2007. These increases were offset by a U.S.\$63,000 decrease in directors' fees (paid with stock options) during 2006 as compared to no fees incurred in 2007; a decrease of U.S.\$40,000 in consulting fees paid to Daryl Yurek, ID Rehab Corp.'s Chairman and CEO, from U.S.\$140,000 in 2006 (U.S.\$35,000 paid in cash and U.S.\$105,000 paid with stock) to U.S.\$100,000 (paid in cash) in 2007; and a U.S.\$27,560 decrease in consulting fees paid to advisory board members from U.S.\$82,500 in 2006 to U.S.\$54,940 in 2007.

General and administrative expense: Other

“General and administrative expense: Other” includes salaries, benefits, consultants' fees (other than related party consultant fees described above), rent, telephone, insurance, depreciation and other general and administrative expenses. These items of general and administrative expense amounted to U.S.\$1,074,975 and U.S.\$499,526 during the years ended December 31, 2007 and 2006, respectively. The increase in general and administrative expense is primarily due to an increase in employee compensation, benefits and related costs resulting from an increase from three employees at December 31, 2006 to 14 employees at December 31, 2007 and from increases in consultant fees, recruiting fees, legal fees, and audit fees resulting from the growth in ID Rehab Corp.'s operations during the past year.

Research and development expense

“Research and development expense” relates to payroll and other expense items directly attributable to research and development. Research and development expense was U.S.\$32,952 and U.S.\$139,775 during the years ended December 31, 2007 and 2006, respectively. The decrease from 2006 to 2007 reflects the fact that ID Rehab Corp.'s proprietary services were fully developed and implemented during 2007.

Interest expense, related party

During the years ended December 31, 2007 and 2006, ID Rehab Corp. incurred U.S.\$17,890 and U.S.\$6,561 of interest expense, respectively, related to convertible notes owed to VCC. The increase was due to higher average outstanding balances during 2007 as compared to 2006.

Interest expense, other

During the years ended December 31, 2007 and 2006, ID Rehab Corp. incurred other interest expenses in the amounts of U.S.\$404,448 and U.S.\$732, respectively. In June and July 2007, ID Rehab Corp. issued U.S.\$3,725,291 of Convertible Debentures that bear interest at 9% per annum and mature two years from the date of issuance. “Interest expense, other” during the year ended December 31, 2007 included non-cash amortization of deferred financing costs and debt issuance discount of U.S.\$140,826 and U.S.\$91,356, respectively. The Convertible Debentures pay interest at a nominal rate of 9% and have an effective interest rate of 9.96% after taking into consideration a debt discount resulting from the issuance of warrants as part of the sale of the Convertible Debentures.

Comparison of the year ended December 31, 2006 to the period from inception (July 27, 2005) to December 31, 2005

Revenue and gross profit

ID Rehab Corp.'s services were in the research and development stage from inception through December 31, 2006 and, therefore, ID Rehab Corp. did not generate significant revenue during this period. From inception to December 31, 2005, ID Rehab Corp. did not realize any revenue. For the year ended December 31, 2006, ID Rehab Corp. recognized U.S.\$29,962 in revenue from the sale of its services and incurred U.S.\$21,081 in cost of revenue. Expenses categorized as cost of revenue primarily include direct labour costs and fees paid to data providers in connection with obtaining information from various databases.

Marketing expense

ID Rehab Corp.'s marketing expense includes advertising, promotional campaigns, direct mailings, printing costs and personnel costs for ID Rehab Corp.'s marketing staff. Because ID Rehab Corp. was focused on development of services and raising capital during 2005, ID Rehab Corp. incurred only U.S.\$25,361 in marketing expense from inception to December 31, 2005. For the year ended December 31, 2006, ID Rehab Corp.'s marketing expense was U.S.\$359,889.

General and administrative expense: Consulting, related parties

"General and administrative expense: Consulting, related parties" includes expense incurred in connection with certain consulting agreements with ID Rehab Corp.'s officers, former officers and directors and includes expense associated with the issuance of stock options for related party consulting services.

For the year ended December 31, 2006, ID Rehab Corp. incurred related party consulting expense of U.S.\$314,164 as compared to U.S.\$20,658 during the period ended December 31, 2005, an increase of U.S.\$293,506. This increase is comprised of:

- U.S.\$131,842 increase in consulting fees paid to Daryl Yurek, ID Rehab Corp.'s Chairman and CEO, from U.S.\$8,158 (paid in cash) in 2005 as compared to U.S.\$140,000 paid in 2006 (U.S.\$35,000 paid in cash and U.S.\$105,000 paid with stock) resulting from increased time spent in business development efforts by Mr. Yurek in 2006;
- U.S.\$17,500 increase in consulting fees paid to Justin Yurek, ID Rehab Corp.'s current President, from U.S.\$2,500 (paid in cash) in 2005 as compared to U.S.\$20,000 paid in 2006 (U.S.\$15,000 paid in cash and U.S.\$5,000 paid with stock);
- U.S.\$72,500 increase in advisory board fees from U.S.\$10,000 paid to one member in 2005 (paid in cash) to U.S.\$82,500 paid in 2006 to four members (U.S.\$77,500 paid in cash and U.S.\$5,000 paid with stock);
- U.S.\$63,000 of directors' fees (paid with stock options in 2006) as compared to no directors' fees in 2005; and
- U.S.\$8,664 in employee stock-based compensation and other expense incurred in 2006 as compared to no stock-based compensation and other expense in 2005.

General and administrative expense: Other

"General and administrative expense: Other" includes administrative salaries and benefits, consultants' fees (other than related party consultant fees described above), rent, telephone, insurance, depreciation and other general and administrative expenses. These items of general and administrative expense amounted to U.S.\$499,526 and U.S.\$223,566 for the year ended December 31, 2006 and the inception to December 31, 2005 period, respectively.

The increase in costs for 2006 was due to the increased pace of development of ID Rehab Corp.'s services and related increase in marketing efforts during 2006.

Research and development expense

"Research and development expense" includes payroll and other expense items directly attributable to research and development. Research and development expense amounted to U.S.\$139,775 and U.S.\$7,340 for the year ended December 31, 2006 and the inception to December 31, 2005 period, respectively. The large increase in research and development expense for 2006 reflects ID Rehab Corp.'s focus during 2006 on developing identity theft detection and prevention services.

Interest expense – related party

During the year ended December 31, 2006 ID Rehab Corp. incurred U.S.\$6,561 of interest expense, related to convertible notes owed to VCC. ID Rehab Corp. did not have any debt or interest expense to related parties in 2005.

Material Trends and Uncertainties

ID Rehab Corp. is a start-up company. As such, key statistics such as customer retention rates, cost of customer acquisition, and lifetime revenue per customer are not yet well established.

ID Rehab Corp.'s future revenues depend on the successful marketing of ID Rehab Corp.'s services. ID Rehab Corp.'s marketing campaigns have to attract sufficient business to produce revenue that will enable it to meet its operating expenses and fund its future growth plans. From January 1, 2008 to July 31, 2008, ID Rehab Corp. enrolled approximately 100,000 customers which includes approximately 16,000 new customers enrolled in July 2008. As at July 31, 2008, we had approximately 56,000 customers with active subscriptions.

Although our revenues increased during the second quarter of 2008, they have not increased as much as expected since we suspended our advertising for a month due to the investigation by the New York City Department of Consumer Affairs regarding our advertisements and solicitations on television and the Internet. See "Legal Proceedings and Regulatory Actions". We subsequently resumed our advertising and are in correspondence with this regulatory agency to resolve any remaining issues. Our marketing expenses during the second quarter of 2008 were lower than expected due to the suspension of advertising for the month. Although our operating expenses during the second quarter were higher, primarily due to the addition of employees, than during the first quarter, they are in line with management's expectations.

ID Rehab Corp. is also facing new and existing competitors engaged in providing solutions for identity theft. ID Rehab Corp.'s future operations will require monitoring the marketplace for items such as service pricing, service innovations and marketing strategies.

Because ID Rehab Corp. has been in commercial operation for a short period of time, the revenue, cost of revenue, gross profit and net loss amounts reported for the periods presented in this prospectus may not be indicative of future results. ID Rehab Corp. has invested in its infrastructure in order to make the delivery of its services highly automated and, therefore, if ID Rehab Corp. grows its customer base, it expects that its gross profits and gross margins will improve as its revenue growth expands.

ID Rehab Corp. expects that its marketing expenses will continue to increase significantly. Marketing expenses of approximately U.S.\$8.6 million are budgeted for the remainder of 2008.

ID Rehab Corp. anticipates that general and administrative expenses in connection with related party consulting arrangements will remain constant during the remainder of 2008. Total general and administrative expenses for the remainder of 2008 are budgeted to be approximately U.S.\$1.3 million reflecting increased expenditures relating to new employees, additional professional fees and improvements to ID Rehab Corp.'s IT systems to support the implementation of its marketing strategies and increases in its customer base.

Public Company Operating Costs

In connection with the filing of this prospectus and the proposed listing of the Ordinary Shares on the Exchange, the Company will become subject to the reporting requirements of applicable Canadian securities legislation and the Exchange. The Company expects to incur at least U.S.\$50,000 in initial compliance costs associated with becoming a public company (primarily legal and accounting costs, but excluding expenses of the Offering). In addition to the initial compliance costs, the Company expects to incur approximately U.S.\$75,000 to U.S.\$100,000 in annual costs associated with being a public company. We expect to fund these costs through cash on hand and revenue from operations.

Liquidity and Capital Resources

Past Financings

Historically, ID Rehab Corp. has funded its operations primarily through private placements of equity and debt, including loans and contributions from ID Rehab Corp.'s founders. During the period from inception (July 27, 2005) through March 31, 2008, ID Rehab Corp. raised U.S.\$8.4 million, net of related issuance costs, through the private placement of common stock, convertible debt and convertible preferred stock and used U.S.\$5.6 million of this initial capital to develop and market its services and U.S.\$429,000 to repay debt. ID Rehab Corp.'s cash balance at March 31, 2008 was U.S.\$2.3 million.

During the period from June 2006 to June 2007, ID Rehab Corp. received cash advances from VCC in exchange for convertible notes due December 2008. In June 2006, ID Rehab Corp. received cash advances of U.S.\$57,000 from VCC under a 7% convertible note that allowed for maximum borrowings of up to U.S.\$250,000. ID Rehab Corp. then issued VCC a 9% convertible note for U.S.\$75,000 in November 2006, a 9% convertible note for U.S.\$100,000 in January 2007, and a 9% convertible note for U.S.\$250,000 in April 2007. ID Rehab Corp. used the funds borrowed from VCC to develop ID Rehab Corp.'s services. The convertible notes were convertible into common shares of ID Rehab Corp. at fixed conversion rates of U.S.\$0.15 per share on the 7% note and U.S.\$0.25 per share on the 9% notes, at the option of VCC. In June 2007, VCC converted approximately U.S.\$256,000 of the convertible notes into common shares of ID Rehab Corp. and U.S.\$275,000 was repaid to VCC on these notes. In July 2007, the balance of the convertible notes and interest owed to VCC were repaid.

During the period from inception through December 31, 2005, ID Rehab Corp. raised U.S.\$330,500 through the private placement of common shares. During 2006, ID Rehab Corp. raised an additional U.S.\$706,100 through the private placement of common shares. ID Rehab Corp. used the funds raised to develop ID Rehab Corp.'s services.

In June and July 2007, ID Rehab Corp. completed a private placement of U.S.\$3,725,291 principal amount of Convertible Debentures due June and July 2009, respectively, with warrants to purchase 13,304,568 common shares of ID Rehab Corp. ID Rehab Corp. realized net proceeds of U.S.\$3,177,483 from this private placement which were used to repay VCC's convertible notes and to develop and market ID Rehab Corp.'s services. ID Rehab Corp. also issued to the agent for the private placement agent's warrants to purchase 2,660,918 common shares of ID Rehab Corp. Further to the Reorganization, the Convertible Debentures are now convertible into Ordinary Shares of the Company at a conversion price of U.S.\$0.28 per share. The warrants and agent's warrants are now exercisable for Ordinary Shares of the Company at prices ranging from U.S.\$0.35 to U.S.\$0.40 per share until July 2012.

In January 2008, ID Rehab Corp. raised U.S.\$3,500,000 through the private placement of 1,750,000 shares of its Series A Convertible Preferred Stock at U.S.\$2.00 per share with five-year warrants to purchase 3,000,000 common shares of ID Rehab Corp. at U.S.\$0.35 per share. In May and June 2008, ID Rehab Corp. completed the Interim Financing and raised an additional U.S.\$1,495,000 by (a) the issuance of 497,500 shares of its Series B Convertible Preferred Stock at U.S.\$2.00 per share with five-year warrants to purchase 425,860 common shares at U.S.\$0.60 per share and (b) the issuance of 1,041,667 common shares at U.S.\$0.48 per share with (i) five-year warrants to purchase 213,541 common shares at U.S.\$0.60 per share and (ii) warrants to purchase 520,833 common shares at U.S.\$0.90 per share until the earlier of 24 months from the Listing Date and December 31, 2010. ID Rehab Corp. is using the net proceeds from the 2008 private placements for marketing and general corporate purposes. Further to the Reorganization, all of these securities issued by ID Rehab Corp. were exchanged for equivalent securities in the capital of the Company.

Concurrent with the completion of the Offering, the Preferred Share Conversions will automatically be effected and (a) the number of Ordinary Shares obtained by dividing (i) the aggregate issue price of the Series A Preferred Shares and the Series B Preferred Shares based on U.S.\$2.00 per share (plus accrued but unpaid 12% cumulative dividends thereon) by (ii) the conversion price of Cdn.\$0.48 per Ordinary Share (being 0.8 times the price per Unit under the Offering) and (b) the number of Warrants equal to one-half of such number of Ordinary Shares so calculated will be issued in exchange for all outstanding Series A Preferred Shares and Series B Preferred Shares. Assuming the Exchange Rate, a total of approximately 10,504,876 Ordinary Shares (including approximately 559,499 Ordinary Shares in respect of accrued dividends to the date hereof) and approximately 5,252,430 Warrants will be issuable upon the Preferred Share Conversions in respect of the aggregate issue price of the Series A Preferred Shares and the Series B Preferred Shares and accrued but unpaid dividends thereon to the date hereof. Additional Ordinary Shares and Warrants will be issuable in respect of the amount of accrued dividends from the date hereof to the date of the Preferred Share Conversions on the Closing Date. In connection with the Preferred Share Conversions, the agent for the private placement of the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock of ID Rehab Corp. will be entitled to receive, as a part of its compensation, agent's warrants entitling it to purchase 8% of the number of Ordinary Shares issued under the Preferred Share Conversions. These agents' warrants are issuable upon the earlier of the Preferred Share Conversions upon completion of the Offering and December 31 2008.

Sources and Uses of Cash

As at March 31, 2008, ID Rehab Corp. had total cash on hand of approximately U.S.\$2.3 million.

During the nine months ending December 31, 2008, the Company expects to spend approximately U.S.\$11.8 million for marketing, U.S.\$2.0 million for general and administrative expenses, U.S.\$0.2 million for capital expenditures and U.S.\$0.4 million for interest and dividends.

The Company plans to fund the above amounts with cash on hand, gross profits from the sale of services, and the proceeds from the Offering. If the Company's marketing efforts during 2008 are successful, the Company expects that its gross profits from operations will be sufficient to meet its operating expenditures and planned growth during 2009 and future periods. The Company aims to increase the number of active customers by approximately 12,000 to 20,000 customers per month during the remainder of 2008. The Company will incur significant marketing costs to acquire new customers and generally may not realize positive cash flow from a new customer including recouping initial marketing costs until approximately four to six months after the customer's first purchase. This business model results in negative cash flow on the initial acquisition of a customer, but results in positive cash flow as we retain and collect monthly fees from our customers.

Except for the Company's interest and dividend expenses and approximately U.S.\$100,000 of expenses relating to operating lease commitments during the nine months ending December 31, 2008, our other expenses, including marketing expenses, are discretionary in nature. This gives us the ability to adjust spending if revenue growth is not sufficient to fund future expenditures.

We have stock options to purchase 3,835,000 Ordinary Shares outstanding as at the date hereof which, if exercised, would generate approximately U.S.\$1.6 million in additional cash. We also have warrants issued (or issuable) by ID Rehab Corp. which are exercisable (as a result of the Reorganization) for approximately 20,207,066 Ordinary Shares and which, if exercised, would generate approximately U.S.\$8.0 million in additional cash. All of the warrants of ID Rehab Corp. contain cashless exercise provisions, however, which, upon certain conditions, permit the holder to exercise the warrants on a net cash exercise basis and receive Ordinary Shares without payment of any cash consideration. It is unlikely that we will receive any cash proceeds from the exercise of these warrants if they are in-the-money at the time of exercise.

We will also be seeking to convert the outstanding Convertible Debentures into Ordinary Shares on or before their maturity dates in June and July 2009. Such conversion is dependent on the holders of the Convertible Debentures agreeing to amend the conversion terms thereof. See "Description of Share Capital and Securities Distributed—Convertible Debentures". We may be required to immediately redeem Convertible Debentures outstanding for an amount equal to 130% of the principal balance upon the occurrence of certain events, including a change in control

of the Company. In this event, we could be required to expend up to U.S.\$4.8 million in cash to redeem the Convertible Debentures. If none of the Convertible Debentures remaining outstanding are converted into Ordinary Shares prior to their maturity dates in June and July 2009, we would then be required to repay the aggregate principal amount of U.S.\$3,650,291 plus accrued and unpaid interest in cash. If either of these events were to occur, we would be required to significantly curtail marketing expenditures or raise additional funds.

Off-Balance Sheet Arrangements

The Company and ID Rehab Corp. do not have any off-balance sheet arrangements as of the date of this prospectus.

Transactions with Related Parties

Except for the convertible notes issued to VCC in 2006 and 2007 and consulting services arrangements with directors and officers of the Company, all as described elsewhere in this prospectus, the Company has not been a party to any transactions with related parties.

Financial Instruments

At March 31, 2008, ID Rehab Corp. had U.S.\$3,725,291 of Convertible Debentures outstanding. These financial instruments are included in the balance sheets under the caption "Convertible debentures, net" at an amortized cost of U.S.\$3,501,076 which approximates fair value. The original debt discount of U.S.\$360,511 associated with the Convertible Debentures represents the fair value of the detachable warrants that were issued in conjunction with the Convertible Debentures. The original debt discount is being amortized using the straight-line method, which approximates the effective interest method, as interest expense over the two-year life of the Convertible Debentures, which are due in June and July 2009. During the three months ended March 31, 2008, and the year ended December 31, 2007, ID Rehab Corp. recognized non-cash interest expense applicable to the amortization of this discount of U.S.\$44,940 and U.S.\$91,356, respectively. In addition, ID Rehab Corp. incurred U.S.\$627,754 of debt issuance costs associated with the debentures and these costs are included in the balance sheets under the caption "Debt offering costs, net". Debt offering costs are being amortized as interest expense over the life of the Convertible Debentures. During the three months ended March 31, 2008, and the year ended December 31, 2007, ID Rehab Corp. recognized non-cash interest expense of U.S.\$81,685 and U.S.\$140,826, respectively, relating to the amortization of Convertible Debenture debt offering costs. Unamortized debt offering costs were U.S.\$405,125 and U.S.\$486,810 at March 31, 2008 and December 31, 2007, respectively.

At March 31, 2008, ID Rehab Corp. had U.S.\$3,500,000 of Series A Convertible Preferred Stock outstanding. These financial instruments plus accrued and unpaid dividends of U.S.\$72,493 are included on the balance sheets at an amortized cost of U.S.\$2,641,051 which approximates fair value. The original discount of U.S.\$1,586,498 associated with these securities represents the fair value of the detachable warrants (U.S.\$355,749) and the fair value of the beneficial conversion feature (U.S.\$1,230,749) on the date of issuance, January 28, 2008. This discount is being amortized using the straight-line method, which approximates the effective interest method, through June 30, 2008, which represents the expected term that the securities will remain outstanding. The discount associated with the detachable warrants is being recognized as non-cash accretion expense and the discount associated with the beneficial conversion feature is being recognized as non-cash deemed dividends on preferred stock in the statement of operations. During the three months ended March 31, 2008, ID Rehab Corp. recognized U.S.\$146,880 and U.S.\$508,176 of non-cash accretion expense and non-cash deemed dividends on preferred stock, respectively. ID Rehab Corp. plans to amortize the remaining unamortized discount during the three months ending June 30, 2008 by recognizing U.S.\$208,869 and U.S.\$722,563 of non-cash accretion expense and non-cash deemed dividends on preferred stock, respectively.

During the three months ended March 31, 2008, ID Rehab Corp. recorded U.S.\$72,493 of dividends on redeemable convertible preferred stock in its statements of operations. ID Rehab Corp. will incur approximately U.S.\$107,000 of dividends on redeemable convertible preferred stock during the three months ending June 30, 2008. The Company plans to pay all accrued dividends payable on the conversion date by issuing Ordinary Shares.

Changes in Accounting Policies

In March 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 161 “Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133” which requires enhanced disclosures on the effect of derivatives on a company’s financial statements. These disclosures will be required for the Company beginning with the first quarter fiscal 2009 financial statements.

In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2 “Effective Date of FASB Statement No. 157”, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, the Company has only adopted the provisions of SFAS No. 157 with respect to its financial assets and liabilities that are measured at fair value within the financial statements as of December 31, 2007, and the provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities as the Company does not have any non-financial assets or liabilities to which the deferral applies.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) “Business Combinations” (“SFAS No. 141R”) which becomes effective for fiscal periods beginning after December 15, 2008 (fiscal 2009 for the Company). SFAS No. 141R requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). Companies applying this method will have to identify the acquirer, determine the acquisition date and purchase price and recognize at their acquisition date fair values of the identifiable assets acquired, liabilities assumed, and any non-controlling interests in the acquiree. In the case of a bargain purchase the acquirer is required to re-evaluate the measurements of the recognized assets and liabilities at the acquisition date and recognize a gain on that date if an excess remains. The adoption of SFAS No. 141R is not expected to have an impact on the Company’s financial statements.

In December 2007, the FASB issued SFAS No. 160 “Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51” (SFAS No. 160”), which becomes effective for fiscal periods beginning after December 15, 2008 (fiscal 2009 for the Company). This statement amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. The statement requires ownership interests in subsidiaries held by parties other than the parent be clearly identified, labelled, and presented in the consolidated statement of financial position within equity, but separate from the parent’s equity. The statement also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest with disclosure, on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. In addition this statement establishes a single method of accounting for changes in a parent’s ownership interest in a subsidiary that do not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. The adoption of SFAS No. 160 is not expected to have an impact on the Company’s financial statements.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115” (“SFAS No. 159”). SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities” applies to all entities with available for sale or trading securities. SFAS No. 159 is elective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007 (fiscal 2008 for the Company). The Company has elected not to adopt this pronouncement and, as a result, it did not have a material impact on the Company’s financial statements.

DESCRIPTION OF SHARE CAPITAL AND SECURITIES DISTRIBUTED

Share Capital

The Company has authorized capital of 900,000,000 shares of no nominal or par value, comprised of 450,000,000 Ordinary Shares of no nominal or par value and 450,000,000 Preferred Shares of no nominal or par value, and the aggregate consideration for which such shares may be issued is U.S.\$900,000,000. Subject to the Companies Law of the Cayman Islands, as amended, and the Articles of Association (the “Articles”) of the Company and subject to applicable securities laws, the Company has the power to redeem or purchase any of its shares and to subdivide or consolidate the shares or any of them and to issue all or any part of its capital whether original, redeemed, increased or reduced with or without any preference, priority, special privilege or other rights or subject to any postponement of rights or to any conditions or restrictions whatsoever.

As at the date hereof, the Company has issued and outstanding 22,051,697 Ordinary Shares, 1,750,000 Series A Preferred Shares, and 497,500 Series B Preferred Shares. All issued and outstanding shares in the capital of the Company have been issued as fully paid and non-assessable. Concurrent with the completion of the Offering, the Preferred Share Conversions will automatically be effected and a total of approximately 10,504,876 Ordinary Shares and approximately 5,252,430 Warrants are expected to be issued at a conversion price of Cdn.\$0.48 (being 0.8 times the price per Unit under the Offering) per Ordinary Share and one-half Warrant in exchange for all outstanding Series A Preferred Shares and Series B Preferred Shares (excluding Ordinary Shares and Warrants issuable upon conversion of 12% cumulative dividends accrued on the Series A Preferred Shares and Series B Preferred Shares from the date hereof to the date of the Preferred Share Conversions and assuming the Exchange Rate).

Ordinary Shares

The Company will be distributing Ordinary Shares pursuant to the Offering. Ordinary Shares confer upon the holders thereof the right to receive notice of, to attend and to vote at general meetings of the Company, are freely transferable at the instance of a holder subject to compliance with the provisions of the Articles of the Company in relation to transfers (and applicable securities legislation) and confer upon the holders thereof rights in a winding-up or repayment of capital and the right to participate in the profits or assets of the Company in accordance with the Articles of the Company and subject to the rights and preferences of any outstanding Preferred Shares.

The rights attached to any class of shares of the Company may only be materially adversely varied or abrogated with the consent in writing of holders of not less than two-thirds of the issued shares of the relevant class or with the sanction of a resolution passed at a separate meeting of the holders of shares of such class by a majority of two-thirds of the votes cast at such a meeting, but not otherwise, and such class rights shall not be deemed to be materially adversely varied or abrogated by, *inter alia*, the creation, allotment or issue of further shares ranking *pari passu* with or subsequent to them or the redemption or purchase of shares of any class by the Company.

Preferred Shares

Our board of directors is authorized to establish one or more series of the Preferred Shares and to fix and determine the number, relative rights and preferences of the shares of any series so established, including voting, dividend, liquidation and all such other rights.

After the conversion of presently outstanding Series A Preferred Shares and Series B Preferred Shares upon completion of the Offering, the Company will have no issued and outstanding Preferred Shares.

Outstanding or Issuable Warrants

As of the date hereof, ID Rehab Corp. has warrants issued and outstanding (or issuable) that are exercisable (as a result of the Reorganization) for approximately 20,207,066 Ordinary Shares at prices ranging from U.S.\$0.35 to U.S.\$0.90 and approximately 5,252,430 Warrants would be issuable upon the Preferred Share Conversions, as described below:

Outstanding warrants category	Date of issuance	Ordinary Shares issuable upon exercise of outstanding warrants	Exercise price per Ordinary Share	Expiry date
Issued with Convertible Debentures	June 19, 2007	4,511,060	U.S.\$0.35 ⁽¹⁾	June 19, 2012
Issued with Convertible Debentures	June 19, 2007	4,511,060	U.S.\$0.40 ⁽¹⁾	June 19, 2012
Issued with Convertible Debentures	July 17, 2007	1,784,082	U.S.\$0.35 ⁽¹⁾	July 17, 2012
Issued with Convertible Debentures	July 17, 2007	1,784,082	U.S.\$0.40 ⁽¹⁾	July 17, 2012
Agents' warrants	August 17, 2007	1,330,459	U.S.\$0.35 ⁽¹⁾	August 17, 2012
Agents' warrants	August 17, 2007	1,330,459	U.S.\$0.40 ⁽¹⁾	August 17, 2012
Issued to holders of Series A Preferred Shares	January 28, 2008	3,000,000	U.S.\$0.35 ⁽¹⁾	January 28, 2013
Issued to holders of Series B Preferred Shares	May 29, 2008	358,236	U.S.\$0.60 ⁽¹⁾	May 29, 2013
Issued to holders of Series B Preferred Shares	June 23, 2008	67,624	U.S.\$0.60 ⁽¹⁾	June 23, 2013
Agents' warrants	⁽²⁾	795,630 ⁽²⁾	U.S.\$0.48 ⁽¹⁾	5 years from issue
Issued with Interim Financing of units	June 24, 2008	213,541	U.S.\$0.60 ⁽¹⁾	June 24, 2013
Issued with Interim Financing of units	June 24, 2008	520,833	U.S.\$0.90 ⁽¹⁾	⁽³⁾
Warrants issuable under Preferred Share Conversions	Closing Date	5,252,430 ⁽⁴⁾	Cdn.\$0.90	24 months from Listing Date
Total		25,459,496		

(1) These warrants contain a cashless exercise provision which permits the holder to exercise the warrants on a net cash exercise basis without the payment of cash consideration.

(2) These agents' warrants are issuable upon the earlier of the Preferred Share Conversions upon completion of the Offering and December 31, 2008. The agent's warrants, when issued, entitle the holder to purchase 8% of the number of Ordinary Shares issued under the Preferred Share Conversions. Assuming conversion as at the date hereof and the Exchange Rate, a total of approximately 10,504,876 Ordinary Shares will be issuable upon the Preferred Share Conversions, excluding Ordinary Shares issuable upon conversion of dividends accrued on the Series A Preferred Shares and Series B Preferred Shares from the date hereof to the date of the Preferred Share Conversions. The 795,630 Ordinary Shares underlying these agent's warrants represent an approximate number for the purposes of the above table.

(3) Expiry date is the earlier of 24 months from the Listing Date and December 31, 2010.

(4) The 5,252,430 Ordinary Shares underlying these Warrants represent an approximate number based on the Exchange Rate for the purposes of the above table. These Warrants have the same terms as the Warrants comprised in the Units. Does not include Warrants issuable upon conversion of 12% cumulative dividends accrued on the Series A Preferred Shares and Series B Preferred Shares from the date hereof to the date of the Preferred Share Conversions.

The terms governing the outstanding warrants of ID Rehab Corp. are set out in warrant certificates originally issued by ID Rehab Corp. and assumed by the Company. These warrant certificates include, among other things, provisions for the appropriate adjustment of the class and number of the Ordinary Shares issuable pursuant to any exercise of the warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Ordinary Shares, any payment of stock dividends to holders of all of the Ordinary Shares, any capital reorganization of the Company, or any merger, consolidation or amalgamation of the Company with another corporation or entity. All of the outstanding warrants of ID Rehab Corp. contain cashless exercise provisions. A net cashless exercise provision permits the holder to tender the warrant for exercise and receive Ordinary Shares equal to (a) the fair market value of all Ordinary Shares issuable upon exercise of the warrants less (b) the aggregate value of the exercise price payable upon exercise of the warrants without payment of any cash consideration. It is unlikely that we will receive any cash proceeds from the exercise of these warrants if they are in-the-money at the time of exercise.

The Warrants issuable in connection with the Preferred Share Conversions will, together with the Warrants comprised in the Units, be governed by the Warrant Agreement referred to under “Warrants”.

The outstanding warrants originally issued by ID Rehab Corp. and Warrants issuable under the Preferred Share Conversion, and the Ordinary Shares issuable upon exercise of these warrants, have not been registered under the U.S. Securities Act or the securities laws of any state of the United States, and these warrants may not be exercised in the United States or by, or for the account or benefit of a U.S. Person or a person within the United States, unless an exemption from such registration requirements is available.

Holders of these outstanding warrants do not as such have any voting right or other right attached to Ordinary Shares until these warrants are duly exercised as provided for in the certificate representing the warrants.

Warrants

The Company will also be distributing Warrants pursuant to the Offering. Each Warrant is transferable and will entitle the holder thereof to acquire one Ordinary Share at a price of \$0.90 for a period of 24 months from the Listing Date. A total of 8,525,000 Ordinary Shares will be reserved for issuance by the Company pursuant to the exercise of 8,500,000 Warrants comprised in the Units under the Offering and 25,000 Warrants comprised in the Corporate Finance Units.

The terms governing the Warrants will be set out in a warrant agreement (the “Warrant Agreement”) to be entered into between the Company and Computershare Investor Services Inc., as warrant agent, and will include, among other things, provisions for the appropriate adjustment of the class and number of the Ordinary Shares issuable pursuant to any exercise of the Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Ordinary Shares, any payment of stock dividends to holders of all of the Ordinary Shares, any capital reorganization of the Company, or any merger, consolidation or amalgamation of the Company with another corporation or entity.

The Warrants may not be exercised in the United States or by, or on behalf or for the benefit of, a U.S. Person unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available to the holder and the holder has furnished an opinion of counsel of recognized standing in form and substance reasonable satisfactory to the Company to such effect; provided, however, that an accredited investor (satisfying one or more of the criteria set forth in Rule 501(a) of Regulation D under the U.S. Securities Act) that purchases Units from the Company in the United States private placement of Units, for its own account or for the account of another accredited investor (a “beneficial purchaser”), will not be required to deliver an opinion of counsel in connection with its exercise of the Warrants comprised in such Units on its own behalf, or on behalf of such beneficial purchaser (if any), at a time when it, and such beneficial purchaser (if any), are accredited investors. See “Plan of Distribution”.

Holders of Warrants do not as such have any voting right or other right attached to Ordinary Shares until the Warrants are duly exercised as provided for in the certificate representing the Warrants and in the Warrant Agreement.

Agents’ Warrants

The Company will issue to the Agent and the U.S. Agent on Closing of the Offering an aggregate number of Agents’ Warrants equal to 8% of the total number of Units sold pursuant to the Offering. Each Agents’ Warrant is exercisable to acquire one Ordinary Share at a price of \$0.60 per Ordinary Share for a period of 24 months from the Listing Date. A total of 1,360,000 Ordinary Shares will be reserved for issuance by the Company pursuant to the exercise of the Agents’ Warrants. The terms governing the Agents’ Warrants will be set out in the certificate representing the Agents’ Warrants. The Agents, as holders of Agents’ Warrants, will not as such have any voting right or other right attached to Ordinary Shares until the Agents’ Warrants are duly exercised as provided for in the certificate representing the Agents’ Warrants.

Convertible Debentures

ID Rehab Corp. has outstanding U.S.\$3,650,291 principal amount of 9% Convertible Debentures due in 2009. Although the Convertible Debentures are obligations of our wholly-owned subsidiary, ID Rehab Corp., the covenants included in those instruments will apply to restrict the Company's operations, as well as those of ID Rehab Corp. For example, while the Convertible Debentures are outstanding, we may not borrow additional amounts to finance our operations without the consent of the holders of the Convertible Debentures. The terms of the Convertible Debentures also prohibit us from paying dividends without the consent of the holders of a majority of the principal amount of the Convertible Debentures.

The Convertible Debentures are convertible at the option of the holder at any time into one Ordinary Share for each U.S.\$0.28 principal amount of Convertible Debentures and are to automatically convert into Ordinary Shares upon the occurrence of certain events. The Convertible Debentures provide that the following conditions must be met before we may require conversion of the Convertible Debentures:

- (a) an effective registration statement under the U.S. Securities Act must be in place registering the Ordinary Shares issuable upon conversion of the Convertible Debentures;
- (b) the Ordinary Shares must be listed by or quoted on in the United States on a national securities exchange or the OTC Bulletin Board;
- (c) the closing price of the Ordinary Shares shall exceed 125% of the U.S.\$0.28 conversion price for 30 consecutive trading days; and
- (d) the average trading volume for the Ordinary Shares exceeds 60,000 Ordinary Shares per day during that period.

We do not expect that we will meet the conditions outlined above prior to maturity of the Convertible Debentures as, among other things, we do not plan to file a registration statement in the United States or become listed on a securities exchange in the United States.

At the current conversion price of U.S.\$0.28 per share, the Company would be required to issue 13,036,753 Ordinary Shares upon conversion of all of the Convertible Debentures. If and when the Convertible Debentures are converted into Ordinary Shares, shareholders of the Company would likely suffer dilution.

The terms of the Convertible Debentures also require us to immediately pay an amount equal to 130% of the principal amount of then outstanding Convertible Debentures upon the occurrence of any of the following events: (i) a change in control of the Company (as defined in the Convertible Debenture), (ii) if applicable, our failure to remain subject to the reporting requirements of the U.S. Exchange Act after becoming subject to such reporting requirements, (iii) if applicable, our failure to comply with the reporting requirements under the U.S. Exchange Act for a period of 30 consecutive days, or (iv) if applicable, our Ordinary Shares, once listed, becoming delisted or no longer being quoted in the United States on a national securities exchange or the OTC Bulletin Board. We currently have no plans to become subject to the reporting requirements of the U.S. Exchange Act or to become listed on a securities exchange in the United States.

The terms of the Convertible Debentures also provided the holders of the Convertible Debentures with certain registration rights to have a registration statement filed with the United States Securities and Exchange Commission ("SEC") under the U.S. Securities Act to register for resale the shares of ID Rehab Corp. underlying the Convertible Debentures and the warrants issued with the Convertible Debentures. If a registration statement covering such shares was not declared effective by the SEC within 150 days following the issuance of the Convertible Debentures, then ID Rehab Corp. was to pay each holder of such shares a payment equal to 1.5% of the stated value of the Convertible Debentures (payable in cash or common shares of ID Rehab Corp. as mutually agreed by the holders of the Convertible Debentures and ID Rehab Corp.) (the "Liquidated Damages") for each 30-day period (or partial period, as the case may be) following the effectiveness deadline until such effectiveness was achieved. The Liquidated Damages are not applicable, however, if the deadline is missed because of comments received from the SEC staff related to Rule 415 promulgated under the U.S. Securities Act (which generally addresses whether an

offering may be registered as a secondary offering). ID Rehab Corp. filed a registration statement with the SEC to register the resale of such shares and subsequently received comments from the SEC staff pertaining to Rule 415. In view of the comments received by the SEC staff pertaining to Rule 415 and after conversations with certain holders of the Convertible Debentures, ID Rehab Corp. withdrew the registration statement. ID Rehab Corp. consulted with certain holders of the Convertible Debentures prior to abandoning the registration, but no formal waiver of or amendment to the registration obligation has been sought or received. It is possible that one or more of the holders of the Convertible Debentures may assert that Liquidated Damages are payable due to ID Rehab Corp.'s failure to cause a registration statement to become effective or that ID Rehab Corp. has a continuing obligation to file a registration statement with the SEC. Ordinary Shares issuable by the Company upon conversion of Convertible Debentures and exercise of warrants to non-U.S. Persons in offshore transactions may be issued pursuant to Rule 903 of Regulation S and will be unrestricted securities for the purposes of United States securities laws. Ordinary Shares issued in the United States and held by non-affiliates may be eligible for immediate resale through the facilities of the Exchange (if the Ordinary Shares are listed thereon and we are a foreign issuer) pursuant to Rule 904 of Regulation S. U.S. Persons who are considered affiliates of the Company may sell Ordinary Shares in offshore transactions in accordance with Rule 903 of Regulation S.

CONSOLIDATED CAPITALIZATION

The following table sets out the Company's consolidated capitalization as at March 31, 2008 after giving effect to (a) the Reorganization, (b) conversions of Convertible Debentures and exercises of warrants after that date and the Interim Financing (collectively, the "Share Issuance Events"), and (c) the Offering and the concurrent Preferred Share Conversions. The table should be read in conjunction with ID Rehab Corp.'s financial statements and accompanying notes which are included in this prospectus.

<u>Designation of security</u>	<u>Amount authorized</u>	<u>Outstanding as at March 31, 2008</u>	<u>Outstanding as at March 31, 2008 after the Share Issuance Events⁽⁴⁾</u>	<u>Outstanding as at March 31, 2008 after Share Issuance Events, Preferred Share Conversions and completion of the Offering⁽⁵⁾</u>
Long Term Debt				
Convertible Debentures	\$3,725,291	\$3,501,076 ⁽¹⁾	\$3,426,076 ⁽¹⁾	\$3,426,076 ⁽¹⁾
Shareholders' Equity				
Ordinary Shares ⁽²⁾⁽³⁾	450,000,000	\$3,808,313 (20,027,889 shs.)	\$4,651,169 (22,051,697 shs.)	\$18,487,221 (49,606,573 shs.)
Series A Preferred Shares	1,750,000	\$2,641,051 ⁽⁶⁾ (1,750,000 shs.)	\$2,641,051 ⁽⁶⁾ (1,750,000 shs.)	—
Series B Preferred Shares	500,000	—	\$995,000 ⁽⁷⁾ (497,500 shs.)	—

(1) Net of unamortized discount of U.S.\$224,215 as at March 31, 2008.

(2) The Company had a total shareholders' deficit of U.S.\$3,542,104 as at March 31, 2008.

(3) Does not include 8,525,000 Ordinary Shares issuable pursuant to the exercise of the Warrants comprising the Units (including the Corporate Finance Units), 1,360,000 Ordinary Shares issuable pursuant to the exercise of the Agents' Warrants, and 42,331,250 Ordinary Shares issuable pursuant to the exercise of other outstanding warrants and stock options and the conversion of the remaining Convertible Debentures. See "Plan of Distribution", "Options to Purchase Shares" and "Description of Share Capital and Securities Distributed—Convertible Debentures".

(4) After giving effect to the conversion in June 2008 of U.S.\$75,000 principal amount of Convertible Debentures into 267,857 Ordinary Shares and the exercise in August 2008 of warrants to purchase 714,284 Ordinary Shares and 1,041,667 Ordinary Shares issued under the Interim Financing (before deducting expenses of the Interim Financing).

(5) Before deducting expenses of the Interim Financing and the Offering (including the Agents' Commission and the Corporate Finance Fee). Solely for the purposes of the table, Preferred Share Conversions include Ordinary Shares issuable upon conversion of 12%

cumulative dividends accrued to the date hereof on the Series A Preferred Shares and the Series B Preferred Shares and assume the Exchange Rate.

(6) Represents book value. Aggregate subscription price was \$3,500,000.

(7) Represents the gross value before expenses or discounts.

OPTIONS TO PURCHASE SHARES

Prior to the completion of the Offering, the Company proposes to adopt a Stock Option Plan (the “Plan”) pursuant to which incentive stock options may be granted to directors, officers, employees and consultants of the Company. The Plan may be administered by our board of directors of the Company or a committee of board of directors.

The following is a summary of proposed key terms of the Plan:

- The maximum aggregate number of Ordinary Shares reserved for issuance for options granted under the Plan will be 7,200,000 Ordinary Shares, representing approximately 15% of the number of Ordinary Shares that will be issued and outstanding immediately upon completion of the Offering and the Preferred Share Conversions.
- The aggregate number of optioned Ordinary Shares that may be reserved for issuance to any one optionee in a 12-month period must not exceed 5% of the outstanding Ordinary Shares. The number of optioned Ordinary Shares granted to any one consultant in a 12-month period must not exceed 2% of the issued and outstanding Ordinary Shares. The aggregate number of optioned Ordinary Shares granted to optionees who are employed to provide investor relations activities must not exceed 2% of the issued and outstanding Ordinary Shares of the Company in any 12-month period.
- The exercise price for options granted under the Plan may not be less than the market price of the Ordinary Shares less applicable discounts permitted by the Exchange, or such other minimum exercise price as may be required by the Exchange.
- Options granted under the Plan may be subject to vesting schedules at the discretion of our board of directors as and when options are granted.
- Options are exercisable for a period of up to ten years (five years if and for so long as the Company is a “Tier 2 Issuer” on the Exchange), subject to earlier termination after certain events such as the optionee’s cessation of service to the Company, disability or death.
- In respect of options granted while the Company is a “Tier 2 Issuer” on the Exchange (if applicable) or options having an exercise price per Ordinary Share that is less than the market price for the Ordinary Shares on the date of grant, any Ordinary Shares issuable on the exercise of such options will be subject to a four-month hold period commencing on the date of grant of the option.
- Options granted under the Plan are non-assignable, except by will or the laws of descent and distribution.

The following table summarizes information as at the date hereof about options to purchase Ordinary Shares that are held or will be held upon completion of the Offering to the extent presently known and subject to applicable regulatory approvals.

Category	Aggregate Optioned Shares Granted	Date of Grant	Exercise Price per Share (U.S.\$)	Market Price of Shares on Date of Grant ⁽¹⁾ (U.S.\$)	Expiry Date
Options held by all current and past executive officers of the Company (4 persons in total)	150,000	April 2, 2007	\$0.28	\$0.28	April 2, 2012
	300,000	July 23, 2007	\$0.28	\$0.28	July 23, 2012
	850,000	June 16, 2008	\$0.60	\$0.60	June 16, 2013
Options held by all current and past directors of the Company (excluding persons who are or were not also executive officers of the Company) (3 persons in total)	600,000	May 30, 2006	\$0.15	\$0.15	May 30, 2011
	300,000	June 15, 2006	\$0.15	\$0.15	June 15, 2011
	100,000	July 1, 2007	\$0.28	\$0.28	July 1, 2012
	200,000	June 16, 2008	\$0.60	\$0.60	June 16, 2013
Options held by all other current and past employees of the Company	150,000	July 23, 2007	\$0.28	\$0.28	July 23, 2012
	75,000	January 25, 2008	\$0.35	\$0.35	January 25, 2013
	460,000	June 16, 2008	\$0.60	\$0.60	June 16, 2013
Options held by all consultants of the Company	150,000	May 31, 2008	\$0.48	\$0.48	May 31, 2013
	500,000	June 16, 2008	\$0.60	\$0.60	June 16, 2013
Total	3,835,000				

(1) As the stock options were originally granted by ID Rehab Corp. for the purchase of common shares of ID Rehab Corp. and such shares were not traded on a stock exchange or other public market on the respective dates of grant, the market values stated are based on the Company's best estimates. The Company uses the best available information in order to arrive at the market price of the shares at the date of grant of stock options or at any other relevant date. This information includes arms' length private placements of the shares, exercise prices of share purchase warrants issued with private placements of shares, and other private transactions, including transactions on the Restricted Securities Trading Network. Following the Reorganization, the options entitle the optionees to purchase Ordinary Shares of the Company.

PRIOR SALES

No Ordinary Shares or securities convertible into Ordinary Shares have been sold by the Company within the 12-month period before the date of this prospectus, other than securities to be issued in connection with the Offering or securities issued in connection with the Reorganization in exchange for securities of ID Rehab Corp.

The following table summarizes the common shares of ID Rehab Corp. or securities convertible into such shares which were issued by ID Rehab Corp. during the 12-month period before the date of this prospectus. All of these outstanding securities of ID Rehab Corp. have been exchanged into equivalent securities of the Company, or are convertible into equivalent underlying securities of the Company, on a one-for-one basis in connection with the Reorganization.

Date	Number or Amount of Securities	Type of Securities of ID Rehab Corp.	Issue Price (U.S.\$)
June-July, 2007	U.S.\$3,725,291	Convertible Debentures ⁽¹⁾	100% ⁽¹⁾
September 2007	162,438 ⁽²⁾	Common Shares	\$0.28 ⁽²⁾
October 2007	59,954 ⁽²⁾	Common Shares	\$0.28 ⁽²⁾
December 2007	160,672 ⁽²⁾	Common Shares	\$0.28 ⁽²⁾
January 2008	59,954 ⁽²⁾	Common Shares	\$0.28 ⁽²⁾
	55,556 ⁽³⁾	Common Shares	\$0.15
	1,750,000	Series A Preferred Shares ⁽⁴⁾	\$2.00 ⁽⁴⁾
May and June 2008	1,041,667	Common Shares	\$0.48
	497,500	Series B Preferred Shares ⁽⁴⁾	\$2.00 ⁽⁴⁾

- (1) Further to the Reorganization, the Convertible Debentures are convertible at the option of the holder at any time into one Ordinary Share for each U.S.\$0.28 principal amount of Convertible Debentures and will automatically convert upon the occurrence of all of the following events: (i) the passage of 90 days following the effective date of a registration statement registering for resale in the United States the Ordinary Shares issuable upon conversion of the Convertible Debentures, (ii) the Ordinary Shares have become listed or eligible for trading on a specified national securities exchange in the United States or the OTC Bulletin Board, (iii) the closing price for the Ordinary Shares on such market exceeds 125% of the conversion price for 30 consecutive trading days, and (iv) the average trading volume for the same period exceeds 60,000 Ordinary Shares per day. A total of 267,857 Ordinary Shares have been issued upon the conversion of U.S.\$75,000 principal amount of Convertible Debentures in June 2008. If the remaining U.S.\$3,650,291 aggregate principal amount of Convertible Debentures are converted, a total of 13,036,753 Ordinary Shares would be issued.
- (2) In September 2007, ID Rehab Corp. received the consent of certain of the holders of the Convertible Debentures to issue common shares in lieu of interest with respect to the first scheduled interest payment (in September or October 2007) and the second scheduled interest payment (in December 2007 or January 2008). ID Rehab Corp. issued 162,438, 59,954, 160,672 and 59,954 common shares for the September, October and December 2007 and January 2008 interest payments, respectively, at an agreed price of U.S.\$0.28 per share in lieu of U.S.\$45,483, U.S.\$16,787, U.S.\$44,988 and U.S.\$16,787, respectively, of scheduled interest payments.
- (3) Issued upon exercise of stock options.
- (4) Concurrent with the completion of the Offering, the Preferred Share Conversions will automatically be effected so that the Series A Preferred Shares and the Series B Preferred Shares will be converted into (a) the number of Ordinary Shares obtained by dividing (i) the aggregate issue price of the Series A Preferred Shares and the Series B Preferred Shares based on U.S.\$2.00 per share (plus accrued but unpaid 12% cumulative dividends thereon) by (ii) the conversion price of Cdn.\$0.48 per Ordinary Share (being 0.8 times the price per Unit under the Offering) and (b) the number of Warrants equal to one-half of such number of Ordinary Shares so calculated.

See Description of Share Capital and Securities Distributed—Outstanding or Issuable Warrants” and “Options to Purchase Shares” for information on warrants and options issued (issuable) by ID Rehab Corp. or the Company during the 12-month period before the date of this prospectus.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Escrowed Securities

Pursuant to the Canadian Securities Administrators' National Policy 46-201 – “Escrow for Initial Public Offerings (“NP 46-201”), directors, senior officers and principal shareholders of the Company and their spouses and their relatives living at the same address (all of whom are considered “principals” of the Company under NP 46-201) will be required to enter into an escrow agreement (the “Escrow Agreement”) with the Company and Computershare Investors Services Inc., as escrow agent, effective the date of completion of the Offering. Principals of the Company who will hold less than 1% of the outstanding Ordinary Shares (after giving effect to the exercise or conversion of convertible securities, including options and warrants) will be exempted from the escrow requirements. As at the date hereof, the following Ordinary Shares would be subject to the escrow requirements under NP 46-201:

Designation of class	Number of securities to be held in escrow or that are subject to a contractual restriction on transfer	Percentage of Shares before Preferred Share Conversions and the Offering	Percentage of Shares after Preferred Share Conversions but before the Offering ⁽¹⁾	Percentage of Shares after Preferred Share Conversions and completion of the Offering ⁽¹⁾
Ordinary Shares ⁽²⁾	41,130,277	78.3%	75.1%	57.3%

(1) Without giving effect to the exercise of any Warrants comprising the Units issuable in connection with the Offering and the Agents' Warrants.

(2) Number of Ordinary Shares and percentage calculations (which are on a partially diluted basis) include 10,675,878 issued and outstanding Ordinary Shares beneficially owned by principals and approximately 30,454,399 Ordinary Shares that are issuable to principals under outstanding derivative securities, as follows: approximately 8,250,554 shares upon Preferred Share Conversions; approximately 13,732,416 shares upon exercise of outstanding warrants, 1,150,000 shares upon exercise of outstanding incentive stock options at a price less than the initial public offering price of the Units under the Offering; and 7,321,428 shares upon conversion of outstanding Convertible Debentures (but excludes Ordinary Shares issuable under other outstanding warrants, options and convertible securities or for dividends accrued from the date hereof in connection with Preferred Share Conversions).

The Company will, subject to meeting the listing requirements for a “Tier 1 Issuer” on the Exchange, be an “established issuer” within the meaning of NP 46-201. Accordingly, it is anticipated that 25% of each principal’s escrowed shares and convertible securities will be released from escrow effective on the date the Ordinary Shares are listed on the Exchange and the remainder will be subject to an 18-month automatic time release escrow in equal tranches at six-month intervals (i.e. 25% of each principal’s escrowed shares and convertible securities released in each tranche).

If the Company is instead designated as a “Tier 2 Issuer” on the Exchange upon listing, under NP 46-201, the Company would be an “emerging issuer” within the meaning of NP 46-201. In such case, 10% of each principal’s escrowed shares and convertible securities will be released from escrow effective on the date the Ordinary Shares are listed on the Exchange and the remainder will be subject to a 36-month automatic time release escrow in equal tranches at six-month intervals (i.e. 15% of each principal’s escrowed shares and convertible securities released in each tranche).

Other Securities Subject to Contractual Restriction on Transfer

Seed Capital shares (being all shares issued by the Company prior to the Offering which are not subject to the above escrow restrictions) are subject to the Exchange’s seed share resale restrictions (the “SSRRs”) as outlined in the Exchange’s Policy 5.4 - “Escrow, Vendor Consideration and Resale Restrictions”. The application of these restrictions and the duration of any hold period is dependent upon the length of time the seed shares have been held

and the price paid for the Ordinary Shares relative to the initial public offering price of the Units under the Offering. Applying the SSRRs to the seed shares of the Company, the Exchange will require:

- (a) an aggregate of 2,783,332 Ordinary Shares to be subject to a value security escrow release schedule which is the same release schedule applicable to the escrowed Ordinary Shares under NP 46-201; and
- (b) an aggregate of 1,041,667 Ordinary Shares held by members of the Agent’s “Pro Group” (within the meaning of Exchange’s policies) to be subject to a hold period of four months from the Closing Date.

Restricted Securities Under Rule 144

All of the Ordinary Shares issued and outstanding as of the date hereof are restricted securities (as defined under Rule 144 of the U.S. Securities Act) and may not be assigned, sold or otherwise transferred unless an exemption from the registration requirements of the U.S. Securities Act is available to the holder and the holder has furnished an opinion of counsel of recognized standing in form and substance reasonable satisfactory to the Company to such effect; provided, however, that if any Ordinary Shares are being sold in accordance with Rule 904 of Regulation S, and if the Company is a “foreign issuer” (as defined in Regulation S) at the time of sale, the restrictive legend on the certificates for such Ordinary Shares may be removed by providing to the registrar and transfer agent for the Ordinary Shares a declaration in the form as the Company may prescribe from time to time and, if required by the registrar and transfer agent for the Ordinary Shares, an opinion of counsel of recognized standing, reasonably satisfactory to the Company, that the legend is no longer required under applicable requirements of the U.S. Securities Act.

PRINCIPAL SHAREHOLDERS

As at the date hereof, no person beneficially owns, or controls or directs, directly or indirectly, Ordinary Shares carrying 10% or more of the voting rights attached to the Company’s issued and outstanding Ordinary Shares, except as shown below.

Name	Number and percentage of Shares owned before Preferred Share Conversions and the Offering	Number and percentage of Shares owned after Preferred Share Conversions but before the Offering	Number of Shares owned after giving effect to the Offering
Daryl Yurek	6,434,997 ⁽¹⁾ (29.2%)	6,434,997 ⁽¹⁾ (19.8%)	6,434,997 ⁽¹⁾ (13.0%)
Vicis Capital Master Fund	733,951 ⁽²⁾ (3.3%)	8,984,505 ⁽²⁾ (27.6%)	8,984,505 ⁽²⁾ (18.1%)

(1) Includes 5,583,332 Ordinary Shares held of record and beneficially by Mr. Yurek and 851,665 Ordinary Shares held of record by BVP, an entity of which Mr. Yurek is the controlling owner and managing partner. BVP also holds U.S.\$350,000 principal amount of Convertible Debentures which are convertible into 1,250,000 Ordinary Shares and warrants to purchase 1,249,998 Ordinary Shares at exercise prices ranging from U.S.\$0.35 to U.S.\$0.40 per share. Mr. Yurek would beneficially own or control or direct, directly or indirectly, 8.8% of the issued and outstanding Ordinary Shares on a fully diluted basis, assuming completion of the Offering and the Preferred Share Conversions.

(2) Owned both of record and beneficially. Vicis Capital LLC acts as the investment advisor of Vicis Capital Master Fund (“Vicis”) and has voting and dispositive powers over securities of the Company held by Vicis. Vicis holds 1,750,000 Series A Preferred Shares which will be automatically converted into approximately 8,250,554 Ordinary Shares pursuant to the Preferred Share Conversions upon completion of the Offering (excluding Ordinary Shares issuable upon conversion of 12% cumulative dividends accrued on the Series A Preferred Shares from the date hereof to the date of the Preferred Share Conversions and assuming the Exchange Rate). Vicis also holds U.S.\$1,700,000 principal amount of Convertible Debentures which are convertible into 6,071,429 Ordinary Shares and issued or issuable warrants to purchase approximately 12,482,418 Ordinary Shares at exercise prices ranging from U.S.\$0.35 to Cdn.\$0.90 per share (excluding Warrants issuable upon conversion of 12% cumulative dividends accrued on the

Series A Preferred Shares from the date hereof to the date of the Preferred Share Conversions and assuming the Exchange Rate). Vicis would beneficially own or control or direct, directly or indirectly, 27.0% of the issued and outstanding Ordinary Shares on a fully diluted basis, assuming completion of the Offering and the Preferred Share Conversions.

References to “fully diluted basis” above assume the issuance of an aggregate of 52,216,250 Ordinary Shares under outstanding derivative securities, as follows: 13,036,754 shares upon conversion of outstanding Convertible Debentures, 3,835,000 shares upon exercise of outstanding stock options, 20,207,066 shares upon the exercise of outstanding warrants of ID Rehab Corp., 5,252,430 shares upon exercise of Warrants issuable under the Preferred Share Conversions (excluding Warrants issuable upon conversion of 12% cumulative dividends accrued on the Series A Preferred Shares from the date hereof to the date of the Preferred Share Conversions and assuming the Exchange Rate), and 9,885,000 shares upon exercise of all Warrants issuable in connection with the Offering and of the Agents’ Warrants.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The name, province or state and country of residence and principal occupations during the past five years of each of the directors and executive officers of the Company are set forth in the following table. Each of the directors of the Company shown in the table was a director of ID Rehab Corp. at the time of the Reorganization and have been appointed a director of the Company. All directors have been elected to serve until the next annual meeting of shareholders of the Company, subject to earlier resignation or removal.

<u>Name and Province/State and Country of Residence</u>	<u>Position Within the Company</u>	<u>Principal Occupation for the Past Five Years</u>
MURRAY K. ATKINS ⁽¹⁾ Alberta, Canada	Director	President of Blur Investments Ltd. (a private corporate advisory company specializing in real estate) since January 1998
K. DIETER HEIDRICH ⁽¹⁾ Colorado, USA	Director	Managing Director of Green Rock Capital, LLC (technology-focused venture capital firm) since April 1993
KEITH G. RICKARD ⁽¹⁾ California, USA	Director	Independent consultant since October 2004; President and Chief Executive Officer of BakBone Software Inc. (publicly traded software producer specializing in data protection) from June 2001 to October 2004
DARYL F. YUREK Colorado, USA	Director, Chairman and Chief Executive Officer	Executive officer of ID Rehab Corp. since inception of business in July 2005; Partner of Bolder Venture Partners (an investment firm) since January 1996
JUSTIN L. YUREK Colorado, USA	President	Executive officer of ID Rehab Corp. since August 2006; Sales Manager and Partner of Veracity Credit Consultants, LLC (consumer credit services firm) from September 2003 to August 2006; Account Executive for Oppenheimer Funds from August 2002 to September 2003

<u>Name and Province/State and Country of Residence</u>	<u>Position Within the Company</u>	<u>Principal Occupation for the Past Five Years</u>
DENNIS R. PERKINS Colorado, USA	Chief Financial Officer	Executive officer of ID Rehab Corp. since April 2007; Independent Financial Consultant from June 2001 to March 2007, including through Jefferson Wells International, Inc. (a financial consulting firm) from May 2004 to December 2006 and through Two Degrees, LLC (a financial consulting firm) from November 2003 to May 2004
ERIC R. LUNSTRUM Colorado, USA	Vice President of Operations	Executive officer of ID Rehab Corp. since August 2005; Chief Operating Officer and Owner of Univel Corp. (an electronics distribution company) from October 1996 to July 2005
ERIK L. HANSEN Colorado, USA	Vice President of Marketing	Executive officer of ID Rehab Corp. since March 2007; Business Owner and Consultant of Hansen Consulting from February 2005 to August 2007; Marketing Manager of Video Professor, Inc. (a provider of software tutorials) from September 2001 to November 2004

(1) Member of the Audit Committee, the Compensation Committee and the Governance and Nominating Committee.

As at the date of this prospectus, the directors and executive officers of the Company as a group beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 9,941,928 Ordinary Shares representing 46.6% of the currently issued and outstanding Ordinary Shares, or 20.8% of the outstanding Ordinary Shares assuming completion of the Offering and the Preferred Share Conversions and assuming that no additional Ordinary Shares are purchased by such individuals pursuant to this prospectus or are acquired on the exercise of any outstanding options, warrants or other convertible securities.

Management of the Company

The following sets forth further particulars on those individuals who will be members of management of the Company, including the positions that they will hold with the Company, the proportion of their time to be devoted to the Company, and their relevant educational background.

Daryl F. Yurek (age 53), **Chairman, Chief Executive Officer and Director** — Mr. Yurek founded the business of the Company in 2005 and has since served as our Chairman and CEO. In 1984, he co-founded Destron/IDI which manufactures radio frequency identification products and became the world standard for animal microchip identification. In 1992, Mr. Yurek co-founded and acted as general partner in the Opus Capital Fund and in 1997 he founded BVP. During the period from 1992 until 2003, Mr. Yurek acted as fund raiser, financial advisor and manager to 14 different early stage technology and service companies. In September 2003, he became general manager of VCC, a consumer credit services firm focused on assisting consumers to obtain optimized rates in mortgage and other financing activities. VCC is controlled by his son, Justin Yurek. Mr. Yurek provides his services to the Company through a consulting arrangement with BVP and expects to devote 75% of his time to the Company.

Justin L. Yurek (age 28), **President** — Mr. Yurek has served as our President since March 2007 after being Vice President of Sales from August 2006 until that date. In 2003, Mr. Yurek co-founded VCC. Prior to VCC, Mr. Yurek worked in the financial services industry for Oppenheimer Funds from August 2002 to September 2003 and American Express Financial Advisors (now Ameriprise) from January 2001 to January 2002. Mr. Yurek holds a B.A. in International Relations from Tufts University. Mr. Yurek is an employee of the Company and expects to devote 100% of his time to the Company.

Dennis R. Perkins (age 57), **Chief Financial Officer** — Mr. Perkins joined the Company as Chief Financial Officer in April 2007. He has over 30 years of accounting experience, including as chief financial officer and controller, in a variety of industries. Prior to joining the Company, from June 2001 to March 2007, he was an independent financial consultant to several public companies in the United States and provided SEC reporting, financial reporting and other accounting services. From June 2000 to May 2001, Mr. Perkins was Vice President Corporate Controller of New Global Telecom, Inc. Prior to 2000, Mr. Perkins held several financial executive positions with companies primarily in the telecommunication business. Mr. Perkins is a Certified Public Accountant and has a bachelor's degree in business with a major in accounting from Texas Tech University. Mr. Perkins is an employee of the Company and expects to devote 100% of his time to the Company.

Eric R. Lunstrum (age 53), **Vice President of Operations** — Mr. Lunstrum joined the Company as Vice President of Operations in August 2005. Prior to joining our Company, he was Chief Operating Officer and Owner of Univel Corporation from October 1996 to July 2005 where he was responsible for sales and marketing, accounting and operations departments. Prior to that, Mr. Lunstrum worked for Destron/IDI in Boulder, Colorado, as Vice President of Operations from 1985 to 1993 where he was responsible for all manufacturing, quality and customer service departments. Mr. Lunstrum has attended business classes at de Anza and Regis Universities. Mr. Lunstrum is an employee of the Company and expects to devote 100% of his time to the Company.

Erik L. Hansen (age 38), **Vice President of Marketing** — Mr. Hansen joined the Company as Vice President of Marketing in March 2007. From February 2005 to August 2007, Mr. Hansen was the owner and consultant of Hansen Consulting, a consulting firm where he helped launch new products for Revival Soy, PC Treasures, and E Power and Profits and founded a direct marketing company, Subscription Marketing, LLC™. Prior to that, Mr. Hansen was a Marketing Manager of Video Professor, Inc. (a provider of software tutorials) from September 2001 to November 2004. From February 1996 to December 1998, he worked for Amrion (a division of Whole Foods Market Inc.) where he managed the direct marketing for Bioenergy Nutrients®. Mr. Hansen earned his B.A. degree in Political Science from Truman State University and M.B.A. from the University of Denver. Mr. Hansen is an employee of the Company and expects to devote 100% of his time to the Company.

Each of the foregoing persons has entered into a non-competition and non-disclosure agreement with the Company.

Non-Executive Directors

The following is further background information on the non-executive directors of the Company.

Murray K. Atkins (age 38), **Director** — Mr. Atkins has been President of Blur Investments Ltd. (a private corporate advisory company specializing in real estate) since January 1998. Mr. Atkins is also involved in several capital pool companies which are listed on the Exchange or have pending listing applications: Kristina Capital Corp. (as President, Chief Executive Officer, a Director and a principal shareholder); Rain Resources Inc. (as a Director and founding shareholder); and Royal Capital Corp. (as a founding shareholder). Mr. Atkins holds a B.A. degree from the University of Utah.

K. Dieter Heidrich (age 68), **Director** — Mr. Heidrich has been the Managing Director of Green Rock Capital, LLC (formerly Opus Capital, LLC) since April 1993. From 1986 to 1993, Mr. Heidrich was a General Partner of Weiss, Peck & Greer Ventures, LP, a California based venture capital firm. From 1983 until 1986, he was the founder and Managing Partner of Intermountain Technology Ventures. Prior to 1983, he worked for several technology companies, including as the founder and President of ProLink Corporation and Vice President International Operations for Northern Telecom Systems Corporation. Mr. Heidrich has a Dipl. Ing. degree from the Technical University in Munich, Germany. Since March 2000, Mr. Heidrich has also been a Director of E-xact Transactions Ltd., a company listed on the Exchange.

Keith G. Rickard (age 62), **Director** — Mr. Rickard's career spans 29 years in the computer service and software industries. From June 2001 to October 2004, Mr. Rickard served as President, Chief Executive Officer and a Director of BakBone Software Inc., a public software products company specializing in data protection (backup and recovery) which was then listed on the Toronto Stock Exchange and on the OTC Bulletin Board in the United States. Prior to joining BakBone, Mr. Rickard spent 19 years at Sterling Software, a Dallas-based software products company that was sold to Computer Associates in 2000. While at Sterling, Mr. Rickard held various positions in

Canada, the United Kingdom and the United States, including President of the Americas Division, Vice President of the International Division responsible for the United Kingdom, and President of the VM Software Division. His most recent position at Sterling was President of the Storage Management Division. Mr. Rickard holds a B.Sc. in Mathematics from the University of London.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Company is, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company that was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days issued while that person was acting in such capacity or issued thereafter but resulted from an event that occurred while that person was acting in such capacity.

Except as described below, no director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is now, or has been within the ten years prior to the date hereof, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Murray Atkins became a director of Fuel X International Inc., a non-reporting international oil and gas company, on May 3, 2007. At that time, Fuel X International Inc. was in financial hardship and insolvent. On September 27, 2007, Fuel X International Inc. sought creditor protection. Mr. Atkins resigned as a director of Fuel X International Inc. on that date.

No director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has, within the ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

No director or executive officer of the Company, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

EXECUTIVE COMPENSATION

The following Summary Compensation Table provides a summary of compensation for the financial year ended December 31, 2007 paid by the Company or predecessors to the CEO and the CFO of the Company (each a “Named Executive Officer” or “NEO”) as at December 31, 2007. During the financial year ended December 31, 2007, none of the other executive officers of the Company received total salary and bonus exceeding Cdn.\$150,000.

SUMMARY COMPENSATION TABLE

NEO Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (U.S.\$)
		Salary (U.S.\$)	Bonus (U.S.\$)	Other Annual Compensation ⁽¹⁾ (U.S.\$)	Awards		Payouts	
					Securities Under Options/SARS Granted (#)	Shares or Units Subject to Resale Restrictions (U.S.\$)	Long Term Incentive Plan Payouts (U.S.\$)	
DARYL YUREK CEO	2007	—	\$5,000	\$85,000 ⁽²⁾	—	—	—	—
DENNIS PERKINS ⁽³⁾ CFO	2007	\$60,208	\$5,000	—	150,000	\$22,350 ⁽⁴⁾	—	\$1,099 ⁽⁵⁾

- (1) The aggregate amount of perquisites and other personal benefits, securities or property paid to each Named Executive Officer did not exceed the lesser of \$50,000 and 10% of the total annual cash compensation and bonus of the Named Executive Officer for the period indicated.
- (2) Represents consulting fees paid pursuant to a consulting arrangement between ID Rehab Corp. and BVP, an entity controlled by Mr. Yurek. See “Termination of Employment, Change in Responsibilities and Employment Contracts”.
- (3) Mr. Perkins became the CFO of ID Rehab Corp. on April 2, 2007.
- (4) Represents the value of 150,000 common shares of ID Rehab Corp. issued to Mr. Perkins at the estimated issue date fair market value of U.S.\$0.15 per share in connection with the commencement of his employment with ID Rehab Corp. As common shares of ID Rehab Corp. were not traded on a stock exchange or other public market at the issue date of these common shares, the market value stated is based on the Company’s best estimate.
- (5) Represents Company contributions to Mr. Perkins’ United States retirement plan.

Stock Options

The following table sets out the grants of stock options to Named Executive Officers during the financial year ended December 31, 2007.

Name	Securities Under Options Granted (#)	Percent of Total Options Granted to Employees in Financial Year	Exercise or Base Price (U.S.\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (U.S.\$/Security)	Expiration Date
DENNIS PERKINS	150,000 ⁽¹⁾	23.1%	\$0.28	\$0.28 ⁽²⁾	April 2, 2012

- (1) These options were granted by ID Rehab Corp. on April 2, 2007 entitling the optionee to purchase common shares of ID Rehab Corp. Following the Reorganization, the options entitle the optionee to purchase Ordinary Shares of the Company. The options vested as to 7/36 (29,166 Ordinary Shares) on November 2, 2007 with an additional 1/36 (4,166 Ordinary Shares) vesting monthly thereafter, for a total of 66,667 optioned Ordinary Shares vested as of the date hereof.
- (2) As common shares of ID Rehab Corp. were not traded on a stock exchange or other public market at the date of grant, the market value indicated is based on the Company’s best estimate.

The following table sets out information with respect to stock options exercised during the financial year ended December 31, 2007 by Named Executive Officers and financial year end values of options held by Named Executive Officers.

AGGREGATED OPTION EXERCISES AND FINANCIAL YEAR-END OPTION VALUES

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (U.S.\$)	Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised in-the-Money Options at FY-End⁽¹⁾ (U.S.\$) Exercisable/ Unexercisable
DENNIS PERKINS	Nil	N/A	33,333 Exercisable 116,667 Unexercisable	Nil Exercisable Nil Unexercisable

(1) As at December 31, 2007, the common shares of ID Rehab Corp. were not traded on a stock exchange or other public market. The Company estimates the fair market price of the shares underlying the options to be U.S.\$0.28 as at December 31, 2007.

Termination of Employment, Change in Responsibilities and Employment Contracts

There are no compensatory plans, contracts or arrangements where a NEO may be entitled to receive more than \$100,000 from the Company in the event of the resignation, retirement or any other termination of the NEO's employment with or service to the Company, a change of control of the Company, or a change in the NEO's responsibilities following a change of control.

The Company has a month-to-month consulting arrangement with BVP, an entity controlled by Daryl Yurek, for Mr. Yurek's services as the Company's Chairman and CEO. The agreement may be terminated by either party at any time. Effective February 1, 2008, consulting fees payable by the Company to BVP under this consulting arrangement amount to U.S.\$9,167 per month (U.S.\$110,000 per year). Beginning in May 2008, the Company is also paying U.S.\$1,179 a month for Mr. Yurek's automobile lease payments as additional compensation for his services as the Company's Chairman and CEO.

Compensation of Directors

Directors' Fees

Directors do not receive any cash compensation for their service as a director but they are reimbursed for reasonable out-of-pocket expenses incurred in connection with their attendance at meetings of the Board. The compensation of our directors is determined on an ad hoc basis from year to year.

Stock Options

The following table sets out the grants of stock options to non-executive directors during the financial year ended December 31, 2007.

Name	Securities Under Options Granted (#)	Exercise or Base Price (U.S.\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (U.S.\$/Security)	Expiration Date
K. DIETER HEIDRICH	100,000 ⁽¹⁾	\$0.28	\$0.28 ⁽²⁾	October 1, 2008

- (1) These options were granted by ID Rehab Corp. on July 1, 2007 entitling the optionee to purchase common shares of ID Rehab Corp.. Following the Reorganization, the options entitle the optionee to purchase Ordinary Shares of the Company. The options vest as to 1/12 (8,333 shares) monthly after the date of grant, for a total of 100,000 optioned Ordinary Shares vested as of the date hereof.
- (2) As common shares of ID Rehab Corp. were not traded on a stock exchange or other public market at the date of grant, the market value indicated is based on the Company's best estimate.

The following table sets out information with respect to stock options exercised during the financial year ended December 31, 2007 by the non-executive directors of the Company and financial year end option values.

AGGREGATED OPTION EXERCISES AND FINANCIAL YEAR-END OPTION VALUES

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (U.S.\$)	Unexercised Options at FY-End (#) Exercisable/Unexercisable	Value of Unexercised in-the-Money Options at FY-End ⁽¹⁾ (U.S.\$) Exercisable/Unexercisable
MURRAY ATKINS	Nil	N/A	300,000 Exercisable Nil Unexercisable	\$39,000 Exercisable N/A Unexercisable
K. DIETER HEIDRICH	Nil	N/A	341,666 Exercisable 58,334 Unexercisable	\$39,000 Exercisable Nil Unexercisable
KEITH RICKARD	Nil	N/A	300,000 Exercisable Nil Unexercisable	\$39,000 Exercisable N/A Unexercisable

- (1) As at December 31, 2007, the common shares of ID Rehab Corp. were not traded on a stock exchange or other public market. The Company estimates the fair market price of the shares underlying the options to be U.S.\$0.28 as at December 31, 2007.

Other Arrangements

On July 24, 2007, we entered into a consulting agreement with K. Dieter Heidrich pursuant to which Mr. Heidrich provides certain IT-related consulting services. Under this agreement, Mr. Heidrich will oversee our patent applications, provide advice with respect to the technology that we implement, and provide advice with respect to our management personnel. The anticipated term of this agreement is one year but may be terminated by either party upon ten days' notice at the end of any month. For his services, Mr. Heidrich is compensated at the rate of U.S.\$5,000 per month. In addition, he received an option to purchase up to 100,000 Ordinary Shares at an exercise price of U.S.\$0.28 per share, as disclosed under "Stock Options" above.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date hereof, no director or executive officer of the Company, no associate of any such director or executive officer (including companies controlled by them), no employee of the Company or any subsidiary, and no former executive officer, director or employee of the Company or any subsidiary, is indebted to the Company or any of its subsidiaries (other than for “routine indebtedness” as defined under applicable securities legislation) or is indebted to another entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company or any of its subsidiaries.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Audit Committee

Pursuant to National Instrument 52-110 - “Audit Committees” (“NI 52-110”), the Company is required to have an audit committee.

Audit Committee Charter

Pursuant to NI 52-110, the Company’s Audit Committee is required to have a charter. A copy of the Company’s Audit Committee Charter is set out in Appendix A.

Composition of the Audit Committee

As at the date hereof, the following is information on the members of the Company’s Audit Committee:

Name	Independent	Financial Literacy
Murray Atkins	Yes	Yes
K. Dieter Heidrich	No ⁽¹⁾	Yes
Keith G. Rickard	Yes	Yes

(1) Mr. Heidrich provides paid consulting services to the Company and, therefore, has a material relationship with the Company within the meaning of NI 52-110 and is not considered an independent director.

See the “Directors and Executive Officers—Non-Executive Directors” for relevant education and experience of each of the members of the Audit Committee.

Audit Committee Oversight

At no time has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by our board of directors.

Pre-approval Policies and Procedures for Non-Audit Services

The Audit Committee has adopted specific policies and procedures for the engagement of auditor services. The Audit Committee will approve all audit and non-audit services provided by the external auditor. The policy sets forth services prohibited to be performed by the external auditor in accordance with the Canadian Public Accountability Board, Canadian Securities Administrators and similar United States authorities. The policy defines audit services, audit related services, tax services and other auditor services.

External Auditor Service Fees (By Category)

The aggregate fees billed by our external auditor in respect of the financial period shown for services in each of the categories indicated are as follows:

Financial Year Ended	Audit Fees (U.S.\$)	Audit Related Fees⁽¹⁾ (U.S.\$)	Tax Fees⁽²⁾ (U.S.\$)	All Other Fees⁽³⁾ (U.S.\$)
December 31, 2007 ⁽⁴⁾	\$25,472	\$ —	\$ —	\$ —

(1) Pertains to assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are not reported under "Audit Fees".

(2) Pertains to professional services for tax compliance, tax advice, and tax planning.

(3) Pertains to products and services other than services reported under the other categories.

(4) Audits for the 2005 to 2007 financial years were all performed in 2007.

Corporate Governance

Board of Directors

In accordance with the Board of Directors' Corporate Governance Guidelines and Board Mandate included therein, our board of directors exercises oversight of management's performance in the following areas:

- the strategic planning process of the Company that takes into account, among other things, the opportunities and risks of the business;
- identification and management of the principal risks of the business;
- planning for senior management succession;
- adopting and following policies regarding communications with shareholders;
- developing and implementing internal controls and management information systems; and
- developing corporate governance principles and guidelines.

In addition, the Board determines director independence in accordance with the definitions set forth in NI 52-110.

Currently, the following directors are considered independent: Murray Atkins and Keith G. Rickard.

Currently, the following directors are not considered independent: K. Dieter Heidrich (who is providing paid consulting services constituting a material relationship with the Company but would otherwise meet the definition of an independent director) and Daryl Yurek (who is the Company's Chairman and CEO).

Directorships

The following directors of the Company are presently directors of other reporting issuers in Canada or elsewhere:

Director	Other Reporting Issuers
Murray Atkins	Kristina Capital Corp. Rain Resources Inc.
K. Dieter Heidrich	E-xact Transactions Ltd.

Orientation and Continuing Education

Currently, director orientation and continuing education is an informal process. The Company may adopt a more formal process in the future.

Ethical Business Conduct

In accordance with the Company's Corporate Governance Guidelines and Board Mandate included therein, the Board has adopted and monitors compliance with a written Code of Business Conduct & Ethics which is applicable to all directors, officers and employees of the Company.

The Board Mandate requires, to the extent feasible, that the Board will satisfy itself with respect to the integrity of the CEO and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization.

The Company's Code of Business Conduct and Ethics establishes strict rules for professional conduct and management of conflicts of interest. The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosure by directors and officers of conflicts of interest and the fact that the Company will rely upon such laws in respect of any director's or officer's conflicts of interest or in respect of breaches of duty by any of its directors or officers. All such conflicts must be disclosed by such directors or officers in accordance with applicable regulations.

Nomination of Directors

The Company's Governance and Nominating Committee identifies and recommends new candidates to our board of directors for nomination for election to the Board.

In evaluating candidates for nomination to the Board, the Governance and Nominating Committee takes into account the applicable requirements for directors under applicable securities rules and regulations and stock exchange listing requirements. This Committee may also take into consideration such other factors and criteria as it deems appropriate in evaluating a candidate, including his or her knowledge, expertise, skills, integrity, diversity, judgment, business or other experience, and reputation in the business community. This Committee may (but is not required to) consider candidates suggested by shareholders, management or other members of the Board.

Compensation

In accordance with the Company's Corporate Governance Guidelines, the Board reviews and approves director compensation and the CEO's compensation as recommended by the Compensation Committee.

The Company's Compensation Committee annually reviews and approves corporate goals and objectives relevant to CEO compensation, evaluates the CEO's performance in light of those goals and objectives and establishes the individual elements of the CEO's total compensation based on this evaluation. In determining the long-term incentive component of the CEO's compensation, if any, the Committee considers the Company's performance and shareholder returns relative to comparable companies, the value of similar incentive awards to CEOs at comparable companies and the awards given to the CEO in past years.

The Company's Compensation Committee also reviews the level and form of director compensation and recommends changes to the Board for consideration and approval.

Assessments

In accordance with the Company's Corporate Governance Guidelines, the Board, under the direction of the Governance and Nominating Committee, conducts an annual performance self-evaluation which includes evaluation of director performance. The committees of the Board also perform annual performance self-assessments in accordance with the Company's Corporate Governance Guidelines.

PLAN OF DISTRIBUTION

Pursuant to an agency agreement (the "Agency Agreement") dated for reference June 30, 2008 among the Company, the Agent and the U.S. Agent, the Company has retained the Agents to act as its agents to offer for sale, on a

reasonable best efforts basis, (a) in the case of the Agent, to the public in the Provinces of British Columbia, Alberta and Ontario, and (b) in the case of the U.S. Agent, on a private placement basis to qualified purchasers in the United States, all in accordance with the terms of the Agency Agreement, subject to prior sale, if, as and when issued by the Company, 17,000,000 Units at a price of \$0.60 per Unit for gross proceeds of \$10,200,000.

Each Unit consists of one Ordinary Share and one-half of one Warrant. Each whole Warrant will entitle the holder thereof to acquire one additional Ordinary Share at an exercise price of \$0.90 per share for a period of 24 months from the Listing Date.

The price of the Units was established by negotiation between the Company and the Agent.

The Agents have agreed to use their reasonable best efforts to secure subscriptions for the Units offered hereunder and pursuant to the Agency Agreement on behalf of the Company, but are not obligated to buy any Units that are not sold. The obligations of the Agents under the Agency Agreement may be terminated at the discretion of the Agents and the Agents may withdraw subscriptions for Units on behalf of subscribers on the basis of its assessment of the state of the financial markets or upon the occurrence of certain stated events, including any material adverse change in the business or financial condition of the Company. The Agents may offer selling group participation to other registered dealers, with compensation to be negotiated between the Agents and such selling group participants, but at no additional cost to the Company.

Pursuant to the Agency Agreement, the Company has agreed to pay the Agents the Agents' Commission equal to 8% of the gross proceeds of the Offering and to pay the Agent the Corporate Finance Fee in the amount of \$150,000. Assuming the completion of the Offering, the Company will pay to the Agents Agents' Commission of up to \$816,000. The Company has also agreed to issue the Agent 50,000 Corporate Finance Units.

The Company will also issue that number of non-transferable Agents' Warrants equal to 8% of the total number of Units sold under the Offering. Each Agents' Warrant will be exercisable for one Ordinary Share at a price of \$0.60 per Ordinary Share for a period of 24 months from the Listing Date. Assuming the completion of the Offering, the Company will grant the Agents and other selling group participants an aggregate of 1,360,000 Agents' Warrants.

In addition, the Company has agreed to pay all costs and expenses of the Agents incurred in connection with the Offering, whether or not the Offering is completed, including the reasonable out-of-pocket expenses of the Agents and reasonable fees and disbursements of the Agents' counsel (in respect of which the Company has paid a deposit of \$10,000).

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Closing of the sale of securities pursuant to the Offering will take place on such Closing Date as the Agent and the Company may mutually agree. All subscription funds received will be held by the Agent pending Closing and will be returned to the subscribers by the Agent without interest, set-off or deduction if the Offering is not fully subscribed on or before the day that is 90 days after the date a receipt is issued for this prospectus, or such later date as the Company and the Agent may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to this prospectus and the regulator issuing a receipt for the amendment). The Agent, pending the Closing, will hold all subscription funds received pursuant to the terms of the Agency Agreement. Certificates representing the Ordinary Shares and Warrants comprising the Units will be available for delivery on or about the Closing.

This prospectus qualifies the distribution of the Ordinary Shares and Warrants comprising the Units offered for sale pursuant to the Offering and the Corporate Finance Units and the distribution of the Agents' Warrants.

This Offering is being made concurrently in the Provinces of British Columbia, Ontario and Alberta. Units may also be sold to qualified purchasers on a private placement basis outside of Canada without the filing of a prospectus, registration statement or other similar disclosure document pursuant to applicable and available statutory exemptions.

This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Ordinary Shares, Warrants or Ordinary Shares underlying the Warrants in the United States. The Units offered hereby and the

Ordinary Shares and Warrants comprising the Units and the Ordinary Shares underlying the Warrants have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and, subject to certain exceptions, may not be offered, sold, pledged, transferred, exercised or delivered, directly or indirectly, in the United States or to, or for the account or benefit of any U.S. Person unless registered under the U.S. Securities Act and applicable state securities laws or in reliance on an exemption therefrom. The Agent and the U.S. Agent have agreed that they will not offer, sell or deliver the Units or the Ordinary Shares or Warrants comprising the Units within the United States, or to or for the account or benefit of a U.S. Person or person within the United States, except in accordance with the Agency Agreement. The Agency Agreement permits the U.S. Agent to designate “accredited investors” that satisfy one or more of the criteria set forth in Rule 501(a) of Regulation D under the U.S. Securities Act to purchase Units directly from the Company in transactions exempt from registration pursuant to Rule 506 of Regulation D and/or Section 4(2) under the U.S. Securities Act. The Agent and the U.S. Agent have agreed that, except for such offers and sales, all offers and sales of Ordinary Shares and Warrants comprising the Units will be made outside the United States to non-U.S. Persons in compliance with Rule 903 of Regulation S.

The Warrants may not be exercised in the United States or by, or on behalf or for the benefit of, a U.S. Person unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available to the holder and the holder has furnished an opinion of counsel of recognized standing in form and substance reasonable satisfactory to the Company to such effect; provided, however, that an accredited investor (satisfying one or more of the criteria set forth in Rule 501(a) of Regulation D under the U.S. Securities Act) that purchases Units from the Company in the United States private placement of Units, for its own account or for the account of another accredited investor (a beneficial purchaser), will not be required to deliver an opinion of counsel in connection with its exercise of the Warrants comprised in such Units on its own behalf, or on behalf of such beneficial purchaser (if any), at a time when it, and such beneficial purchaser (if any), are accredited investors.

In addition, until 40 days after commencement of the Offering, an offer or sale of Units or Ordinary Shares and Warrants comprising the Units within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer is made otherwise than in a transaction registered under the U.S. Securities Act or exempt from such registration.

Pursuant to the Agency Agreement, any Agents’ Commission and Agents’ Warrants payable or issuable in connection with the sale of Units in the United States are to be divided between the Agent and the U.S. Agent as follows: the U.S. Agent shall receive 75% thereof and the Agent shall receive 25% thereof (as a finance fee and not as a commission).

RISK FACTORS

The securities offered in this Offering are speculative in nature and involve a substantial degree of risk. Investment in the securities should be made by you only if you can afford the loss of your entire investment, and is only suitable for persons of significant financial means who can invest for the long term without a need for financial liquidity. Prior to making an investment, prospective investors should carefully study the information contained in this prospectus and should give careful consideration to the risk factors set forth below.

Risks Related to the Company

We are a start-up company with a limited operating history and may encounter a number of difficulties during the development of our business.

We started our business in 2005 and have engaged in only limited business activity to date and have limited revenue producing operations at the present time. As a result, there is a very limited operating history on which to evaluate our prospects. We have limited resources and may be dependent upon outside financing to continue our business. Additional difficulties may be encountered by us, many of which may be beyond our control. These include unanticipated problems or delays relating to development of our services, higher vendor costs, inability to obtain certain data necessary to deliver our services, regulatory costs and the competitive environment in which we intend to operate.

We have had insufficient operating income and future losses from our operations are expected, until such time, if any, as we attain sufficient sales growth.

We have a limited operating history, have generated limited revenues and have had no operating income to date. From our inception through March 31, 2008, we have incurred an operating loss and net loss applicable to our shareholders of approximately U.S.\$6.0 million and U.S.\$7.4 million, respectively. There is no assurance that we will ever generate significant or sufficient revenue or be profitable. We will not be able to generate significant revenues unless we successfully gain market acceptance and successfully compete against our competition, all of which will involve substantial risk. Accordingly, if we are unable to attain sufficient sales growth, we may not be able to continue our operations.

Our need for substantial additional financing in the near future may be affected by our current financial structure which includes outstanding debentures and warrants.

Our wholly-owned subsidiary, ID Rehab Corp., currently has U.S.\$3,650,291 principal amount of outstanding 9% Convertible Debentures due in 2009. The Convertible Debentures provide that the following conditions must be met before the Company may require conversion of the Convertible Debentures:

- (a) an effective registration statement under the U.S. Securities Act must be in place registering the Ordinary Shares issuable upon conversion of the Convertible Debentures,
- (b) the Ordinary Shares must be listed by or quoted on in the United States on a national securities exchange or the OTC Bulletin Board,
- (c) the closing price of the Ordinary Shares shall exceed 125% of the U.S.\$0.28 conversion price for 30 consecutive trading days, and
- (d) the average trading volume for the Ordinary Shares exceeds 60,000 Ordinary Shares per day during that period.

We do not expect that we will meet the conditions outlined above prior to maturity of the Convertible Debentures as, among other things, the Company does not plan to file a registration statement in the United States or become listed on a securities exchange in the United States. In addition, we granted registration rights to the holders of Convertible Debentures pursuant to which we could be required to pay certain liquidated damages or file a registration statement under the U.S. Securities Act. See “Description of Share Capital and Securities Distributed—Convertible Debentures” for further information.

If we do not meet the conversion requirements, we would not be able to convert the principal amount of the Convertible Debentures except at the election of the holder. If the holder does not so elect, ID Rehab Corp. would have to pay up to U.S.\$3,650,291 to the holders of the Convertible Debentures in 2009. We do not expect to have achieved sufficient operating income by that time and will require additional financing in order to repay the holders of the Convertible Debentures. Such financing may not be available if needed or, if available, may not be available on terms attractive to the Company.

In addition, so long as the Convertible Debentures are outstanding, we may not borrow additional amounts to finance our operations without the consent of the holders.

If additional capital is not available when required or is not available on acceptable terms, we may be forced to adversely modify or abandon our business plan. Should we alter our planned operating levels, encounter higher operating costs than assumed or receive lower than expected sales revenue, we may need more funds than currently anticipated.

The occurrence of certain events may result in the mandatory redemption of our Convertible Debentures which could cause serious liquidity issues.

ID Rehab Corp. may be required to immediately pay an amount equal to 130% of the U.S.\$3,650,291 principal amount of outstanding Convertible Debentures upon the occurrence of any of the following events: (i) a change in control of the Company, as defined in the Convertible Debenture (which provision could also reduce the chances of an acquisition transaction), (ii) if applicable, our failure to remain subject to the reporting requirements of the U.S. Exchange Act after becoming subject to such reporting requirements, (iii) if applicable, our failure to comply with the reporting requirements under the U.S. Exchange Act for a period of 30 consecutive days, or (iv) if applicable, our Ordinary Shares, once listed, becoming delisted or no longer being quoted in the United States on a national securities exchange or the OTC Bulletin Board. Neither the Company nor ID Rehab Corp. have ever been registered under the U.S. Exchange Act or have had securities listed or quoted in the United States on a securities exchange or other public trading market and we do not currently have any plans to be so registered or listed or quoted. If any of the mandatory redemption events are triggered, we would be unable to repay the Convertible Debentures unless we obtain additional financing. There is no assurance that additional financing will be available on acceptable terms or at all. In such a circumstance, we may be unable to continue as a going concern.

We may be required to issue Ordinary Shares upon the net cashless exercise of Warrants which may cause dilution to our Ordinary Shares

As at the date hereof, ID Rehab Corp. has outstanding (or issuable) warrants exercisable for approximately 20,207,066 Ordinary Shares that contain cashless exercise provisions. A net cashless exercise provision permits the holder to tender these warrants for exercise and receive Ordinary Shares equal to (a) the fair market value of all Ordinary Shares issuable upon exercise of these warrants less (b) the aggregate value of the exercise price payable upon exercise of these warrants without payment of any cash consideration. If these warrants are exercised on a cashless exercise basis, we would be required to issue Ordinary Shares without receipt of any cash consideration. Based on the proposed offering price of Cdn.\$0.60 per Ordinary Share (and assuming no change in the Exchange Rate), approximately 19,046,832 of these warrants would be in-the-money and we would be required to issue approximately 6,389,378 Ordinary Shares if all of such in-the-money warrants were exercised on a cashless exercise basis, as set out below:

Exercise Price (U.S.\$)	Number of warrants	Number of Ordinary Shares issuable upon cashless exercise assuming Cdn.\$0.60 exercise price
\$0.35	10,625,601	4,043,041
\$0.40	7,625,601	2,226,675
\$0.48	795,630 ⁽¹⁾	119,662 ⁽¹⁾
\$0.60	639,401	0
\$0.90	520,833	0
	<hr/> <hr/> 20,207,066	<hr/> <hr/> 6,389,378

(1) Based on an approximate number of agent's warrants that are issuable by ID Rehab Corp. in connection with Preferred Share Conversions. See "Description of Share Capital and Securities Distributed—Outstanding or Issuable Warrants".

It is unlikely that we will receive any cash proceeds from the exercise of warrants that are exercisable on a cashless exercise basis and that are in-the-money at the time of exercise.

If our services fail to gain market acceptance, our business could suffer with increased costs and reduced income.

Since we are introducing entirely new services without comparable sales history, we do not know if our identity monitoring and resolution services will generate wide acceptance by consumers. Consumer markets are unfamiliar with the uses and benefits associated with our services and may not be interested in purchasing such services. We

do not know whether our services will generate the revenue and profits that we anticipate. While we have achieved success in correcting erroneous information in a variety of databases, there have been a few cases involving some benign entries in criminal databases that have proven more difficult to correct.

Failure of our services to meet expectations could, among other things:

- damage our reputation;
- decrease sales;
- incur costs related to refunds;
- delay or reduce market acceptance of our services;
- result in unpaid accounts receivable; and/or
- divert our resources to remedy the lack of expected results

Our marketing strategies may not be successful, which could adversely affect our future revenues and profitability.

Our future revenues depend on the successful marketing of our identity monitoring and resolution services. Consumers may not be receptive to our marketing methods for our services. See “Description of Business—Sales and Marketing”. Our marketing campaigns may not generate sufficient income to continue with such campaigns. If our marketing strategies fail to attract customers at the rate we expect, our sales of services will not produce future revenues sufficient to meet our operating expenses or fund our future operations.

One of the key components of our marketing strategy is a marketing services agreement that we entered into with an online merchant. Over half of our new customers each month have been referred through this relationship. We can provide no assurance that this agreement will continue as it may be terminated by either party upon 30 days’ notice. If this agreement is terminated, our ability to meet our objectives regarding customer acquisition and operating revenues will be adversely impacted.

The operations of our outside suppliers could disrupt our business, increase our costs and cause us to be unable to deliver our services.

We depend on access to third party databases from data aggregators, data resellers, and data sources to provide full consumer reports to our customers for our ID SnapShotSM service and instigate correction of data items for our ID RehabSM service. We are not reliant on any single provider for this information and believe we could readily replace any provider who is unable to fulfill our requirements. If our suppliers fail to deliver, terminate, reduce or adversely modify their relationship with us, it would disrupt our business, increase our costs and could potentially cause us to lose our market for our ID SnapShotSM and ID RehabSM services. Despite legislation supporting the consumers’ rights to request this access and data correction, the data aggregators, data resellers, or data sources may refuse, or make more difficult, our access to these databases or our requests for the correction of data items. We do not have an extensive operating history to demonstrate that access to these consumer databases will be provided for large volumes of requests, nor that data aggregators, data resellers, or data sources will respond to requests for corrections to data items in a timely or efficient manner. The lack of access to these databases or inability to make corrections requested by our customers will cause us to be unable to deliver our services which would adversely impact our revenue and profitability.

Furthermore, the business operations of our suppliers will have a direct impact on our ability to develop and produce our services. If any of these third parties experience difficulties, including the inability to or delay in delivering reports, financial difficulties or labour shortage or unrest, such difficulties may impact expense controls and effective organizational supervision thereby adversely impacting our ability to generate revenue and profits.

We may be unable to protect our intellectual property, which could affect our ability to compete effectively.

Our ability to compete effectively depends on our ability to protect our proprietary technologies and processes. We may not be able to safeguard and maintain our proprietary rights. We rely on trademarks and policies and procedures related to confidentiality to protect our intellectual property. Some of our intellectual property, however,

is not covered by any of these protections. For example, we are currently exploring applications for, but do not have, servicemark or trademark registrations with the United States Patent and Trademark Office or elsewhere for the services that we currently offer, including ID Watchdog PlusSM, ID WatchdogSM, ID SnapShotSM and ID RehabSM.

We cannot be sure that servicemark or trademark registrations will be issued with respect to any future servicemark or trademark applications to the United States Patent and Trademark Office or that our competitors will not challenge, invalidate or circumvent any existing or future trademarks registered to, or licensed by, us. We believe that our competitors, many of whom are more established, and have greater financial and personnel resources than we do, may be able to replicate our processes, brands, or unique market segment services in a manner that could circumvent our protective safeguards. Therefore, we cannot give any assurance that our confidential business information will remain proprietary.

We could be subject to claims that we have infringed on the proprietary rights of others, which claims would likely be costly to defend, could require us to pay damages and could limit our ability to use necessary technologies in the future.

Third party intellectual property that is similar to our intellectual property, could result in claims that our marks or services infringe on proprietary rights of others. While we have registered the trade name “ID Watchdog” with the Colorado Secretary of State, we do not have servicemark or trademark registrations with the United States Patent and Trademark Office or elsewhere for the services we currently offer, including ID Watchdog PlusSM, ID WatchdogSM, ID SnapShotSM and ID RehabSM. Accordingly, it is possible that we will be unable to continue using any one or more these names. Defending against infringement claims, even meritless claims, is time-consuming, distracting, and costly. If we are found to be infringing proprietary rights of a third party, we could be enjoined from using such third party’s rights and be required to pay substantial royalties and damages, and may no longer be able to use the intellectual property on acceptable terms or at all. Failure to obtain licenses to intellectual property could delay or prevent the development or sale of our services and could cause us to establish reserves that would impact our profitability and to expend significant resources to develop or acquire non-infringing intellectual property.

Because our business is highly dependent on certain legislation giving consumers rights to access records of their personal information maintained by third parties and rights to request correction of inaccurate records, we would be adversely affected if these laws were to change.

Federal and state legislation requires data aggregators, data resellers, and data sources to allow consumers access to the records that they maintain and the right to request correction of any inaccurate data items. If these laws were changed to decrease consumer access rights or to limit the right to request corrections to data items, our ability to provide our services would be severely restricted, which would adversely impact our revenue and profitability.

We depend on certain key personnel, including senior executives, and our failure or retain key personnel)or to attract suitable replacements) could harm our business.

Our future success depends on the efforts of key personnel, including Daryl Yurek and our other officers and directors, who bring us knowledge and experience of our industry and operations. The loss of services of any of these or other key personnel could materially harm our business because of the cost and time necessary to locate a replacement and there can be no assurance that such a suitable replacement could be found. Such a loss would also divert management attention away from operational issues. We do not have key person insurance in respect of, nor written employment agreements with, any of our key personnel.

The market for identity protection services may be smaller than we expect which would adversely affect our anticipated future revenues.

We have completed an internal marketing study that provided data regarding the anticipated size of the market for our services. The study was unscientific and was conducted using a small sample size and conducted in markets that we expected to produce the best results. The results of the study, including the market size conclusions, are likely not statistically significant. There can be no assurance that the size of the market is as we expect, nor that the

market will be as expected in the future. If the size of the market is smaller than our studies indicate, we may not produce future revenues sufficient to meet our operating expenses or fund our future operations.

We may be unable to compete successfully with our present or future competitors (some of whom may have greater resources).

We compete with a variety of competitors which are engaged in the business of selling access to consumer records to consumers or offering limited identity theft protection. All of these companies have substantially greater resources than us and enjoy well-established market presence, distribution networks and market share. It is possible that any or all of these other companies or future competitors are in the process of, and have allocated substantially more resources than us, in developing their own services that are or would be directly competitive with our services. If any of these companies are successful in their efforts to develop directly competitive identity monitoring and resolution products or services, such companies would have substantially greater resources to market their competing products or services. In addition, a number of non-profit advocacy organizations provide credit and other information to consumers which may compete with our services. Increased competition or our failure to compete successfully is likely to result in price reductions, fewer customer orders, reduced gross margins, increased marketing costs, failure to acquire or retain market share, or any combination of these problems.

Economic downturns may cause a reduction in demand for our services.

The individuals comprising our target market are consumers who management believes are susceptible to economic downturns. During economic downturns, such consumers may view our services as discretionary and reduce or stop purchasing such services. As a result, we may be forced to modify or abandon our business plan due to a reduction in demand for our services. Despite the current economic situation in the United States, because we are just at the beginning of our marketing plans, we believe that we are far from reaching market saturation and we are continuing to experience an ongoing net gain in customers.

Continued imposition of tighter processing restrictions by various credit card associations and acquiring banks could make it more difficult to generate revenue from our direct-to-consumer business.

Our ability to accept credit cards as a form of payment for our services is critical to our direct-to-consumer business. Our ability to accept credit cards as a form of payment for our products and services has been or could further be restricted or denied for a number of reasons, including but not limited to the following: (a) if we experience excessive chargebacks and/or credits; (b) if we experience excessive fraud ratios; (c) if there was a tightening of credit card association chargeback regulations. Our direct-to-consumer business currently utilizes several companies to process most of the credit card transactions for our services. If these credit card companies were to experience liquidity issues, become unable to process our monthly credit card transactions, or unexpectedly change their credit requirements or operating procedures resulting in higher fees or reserves, it could have a material adverse effect on our financial position and results of operations.

We may be subject to potential litigation at the suit of the New York City Department of Consumer Affairs in connection with our advertisements and we may not be able to settle any such potential litigation on terms that will not result in material adverse impact on the Company.

On June 4, 2008, ID Rehab Corp., doing business as “ID Watchdog” received from the New York City Department of Consumer Affairs (“NYC Consumer Affairs”) a Notice to Sue alleging that certain of our advertisements and solicitations on television and the Internet were misleading and in violation of the Consumer Protection Law of the City of New York, as well as certain state laws relating to insurance and credit services. While it is our intention to comply with all aspects of the law and to settle the matter without litigation, we have not agreed to any terms of settlement with NYC Consumer Affairs, and there is no assurance that an agreement satisfactory to us and NYC Consumer Affairs can be reached. Based upon the communications with NYC Consumer Affairs by our United States counsel, we believe that we will be able to obtain a settlement with NYC Consumer Affairs on terms that will not result in a material adverse impact on the Company. See “Legal Proceedings and Regulatory Actions”. While we aim to comply with all applicable laws relating to our business, we could be subject to similar potential regulatory action in other states as we launch our sales and marketing campaigns to introduce our services.

State legislation regulating insurance or credit services may be interpreted broadly to cover the services that we provide, in which event, we may be subject to allegations by regulators that we are illegally providing services which we are not licensed to provide.

While, after consultation with our United States legal counsel, we do not believe that our services constitute insurance products or credit repair services, insurance and credit services legislation in various states of the United States could be broad enough to cover our services and we could then be potentially subject to regulatory actions for failure to be licensed to provide such services. If we are found to be subject to such insurance and credit services legislation of any state, we would be unable to offer our services in those states, which would reduce potential markets for our services, and we could possibly be subject to monetary or other penalties.

Risks Related to an Investment in Our Securities

You should have no expectation of dividends.

It is management's intention for the foreseeable future to reinvest all earnings that we attain, if any. Furthermore, we are prohibited from paying dividends while our Convertible Debentures are outstanding. Therefore, you should not purchase the Ordinary Shares with the expectation of dividends. Moreover, there can be no assurance that our operations will ever generate sufficient income to allow us to pay dividends in the future.

The full conversion or exercise of our outstanding convertible or derivative securities will substantially dilute the investment of holders of Ordinary Shares.

The conversion and exercise prices of our Convertible Debentures and outstanding warrants and stock options, respectively, are less than the price for the Ordinary Shares under the Offering. In the event of conversion or exercise of these securities, a shareholder could suffer substantial dilution of the investment made in terms of the percentage ownership in us as well as the book value of the Ordinary Shares held.

Our Ordinary Shares are likely to be subject to significant price volatility due to a potential thin trading market and the speculative nature of the investment and you may be unable to sell at or near ask prices or at all.

There is currently no trading market for the Ordinary Shares. In conjunction with this Offering, the Company is making application to list the Ordinary Shares on the Exchange. We cannot predict the extent to which an active public market for the Ordinary Shares will develop or be sustained.

The market for the Ordinary Shares will likely be characterized by significant price volatility when compared to more established issuers and we expect that, for the indefinite future, our share price will continue to be more volatile than for an established issuer. The volatility in our share price is attributable to a number of factors. Firstly, the Ordinary Shares are likely to be sporadically and/or thinly traded. As a consequence of this lack of liquidity, the trading of relatively small quantities of Ordinary Shares by our shareholders may disproportionately influence the price of the Ordinary Shares in either direction. The price for the Ordinary Shares could, for example, decline precipitously if a large number of Ordinary Shares are sold on the market without commensurate demand, as compared to a market for shares of an established issuer which could better absorb those sales without adverse impact on its share price. Secondly, we are a speculative or "risky" investment due to our small amount of revenues and lack of profits to date and uncertainty of future market acceptance for our current and potential services or products. As a consequence of this enhanced risk, more risk-adverse investors may, under the fear of losing all or most of their investment in the event of negative news or lack of progress, be more inclined to sell their shares on the market more quickly and at greater discounts than would be the case with the shares of an established issuer. We cannot make any predictions or projections as to what the prevailing market price for the Ordinary Shares will be at any time, including as to whether the Ordinary Shares will sustain their current market prices, or as to what effect the sale of Ordinary Shares or the availability of Ordinary Shares for sale at any time will have on the prevailing market price.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Our management may conclude that our internal controls over our financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting are effective, our auditor may still decline to attest to our management's assessment or may issue a report that is qualified if it is not satisfied with our controls or the level at which our controls are documented, designed, operated or reviewed, or if our auditor interprets the relevant requirements differently from us. Our reporting obligations as a reporting issuer will place a significant strain on our management, operational and financial resources and systems for the foreseeable future. Effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of the Ordinary Shares. Furthermore, we anticipate that we will incur considerable costs and use significant management time and other resources in an effort to comply with the securities regulatory requirements for internal controls.

As the Company and most of our directors and officers are resident outside Canada, it may be difficult for investors to enforce judgments obtained in Canada against the Company or such persons.

The Company is incorporated under the laws of the Cayman Islands and resides outside of Canada. Daryl Yurek, who may be considered the promoter of the Company under applicable securities laws, also resides outside Canada. In addition, all but one of the current directors and officers of the Company reside outside Canada and all of their assets and substantially those of the Company are located outside Canada. It may not be possible for persons to effect service of process within Canada upon directors and officers who reside outside Canada. As all or a substantial portion of the assets of such directors and officers and of the Company are located outside Canada, there may be difficulty in enforcing against such directors or officers or against the Company's assets, judgments obtained in Canadian courts predicated upon the provisions of applicable Canadian provincial securities legislation.

PROMOTERS

Daryl Yurek may be considered to be promoter of the Company under applicable securities laws by reason of his having taken the initiative in founding and organizing the business and enterprise of the Company. Mr. Yurek is the CEO and a director of the Company. See "Principal Shareholders" and "Directors and Executive Officers" for background information on Mr. Yurek and his ownership of Ordinary Shares.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Except as mentioned below, there are no legal proceedings that the Company or any of its subsidiaries is or was a party to, or of which any of its property is or was subject, since January 1, 2007 and there are no such legal proceedings that the Company knows to be contemplated.

On June 4, 2008, ID Rehab Corp., doing business as "ID Watchdog" received from NYC Consumer Affairs a Notice to Sue alleging that certain of our advertisements and solicitations on television and the Internet were misleading and in violation of the Consumer Protection Law and certain rules of the City of New York, as well as certain state laws relating to insurance and credit services.

Upon receiving the Notice to Sue, we immediately suspended advertising directed specifically to residents of New York state and have accepted no subscriptions for our services from New York state residents since that time. We have also revised certain of the information contained on our website which solicited customers to subscribe to our ID Watchdog PlusSM plan. We are also reviewing with our United States counsel our advertising and intend to

revise the content of our advertisements as may be necessary to be in compliance with applicable laws in New York and elsewhere.

Our United States counsel have communicated with officers at NYC Consumer Affairs and advised them of our intention to comply with all aspects of the law and that we desire to settle the matter without litigation. No terms of settlement have been agreed upon with NYC Consumer Affairs, and there is no assurance that an agreement satisfactory to us and NYC Consumer Affairs can be reached. Based upon the communications with NYC Consumer Affairs by our United States counsel, a scheduled hearing of the allegations was postponed indefinitely and we believe that we will be able to obtain a settlement with NYC Consumer Affairs on terms that will not result in a material adverse impact on the Company.

We have subsequently resumed our advertising and continue to be in correspondence with NYC Consumer Affairs to resolve any remaining issues.

Regulatory Actions

There are no penalties or sanctions imposed against the Company by a court relating to securities legislation or otherwise or by a securities or other regulatory authority within the three years immediately preceding the date hereof.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the directors or executive officers of the Company, nor any disclosed principal shareholder of the Company, nor any associate or affiliate of any of such persons, has had any material interest, direct or indirect, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the Company, except as described herein and elsewhere in this prospectus.

During the periods from inception (July 27, 2005) through December 31, 2006, we received total cash advances of U.S.\$279,343 from VCC, an entity controlled by Justin Yurek (the Company's President), in exchange for two unsecured convertible notes payable in December 2008. The notes payable allowed for maximum borrowings of up to U.S.\$325,000 (a U.S.\$250,000 note payable bore interest at 7% per annum and a U.S.\$75,000 note payable bore interest at 9% per annum).

In January 2007, we entered into a U.S.\$100,000, 9% unsecured promissory note with VCC, convertible into common shares of ID Rehab Corp. at a fixed conversion price of U.S.\$0.25 per share. Through April 30, 2007, we borrowed up to the maximum amount available under all three notes (U.S.\$425,000). In April 2007, we entered into a U.S.\$250,000 9% unsecured note due in December 2008. From April to June 2007, we borrowed approximately U.S.\$194,000 from VCC on these notes.

VCC sold some of its notes to certain individuals and, in June 2007, U.S.\$255,800 of the convertible notes were converted into 1,705,344 common shares of ID Rehab Corp. Also in June 2007 we repaid U.S.\$275,000 of the notes by paying U.S.\$75,000 in cash and issuing VCC U.S.\$200,000 principal amount of the Convertible Debentures. During July and August 2007, we repaid the remaining U.S.\$152,000 principal amount of the VCC convertible notes by paying U.S.\$2,000 in cash and issuing U.S.\$150,000 principal amount of the Convertible Debentures. VCC subsequently transferred all of its Convertible Debentures to BVP, an entity which is controlled by Daryl Yurek.

RELATIONSHIP BETWEEN COMPANY AND AGENT

The Company is not a "related issuer" or a "connected issuer" to the Agent within the meaning of National Instrument 33-105 — "Underwriting Conflicts" ("NI 33-105"). Members of the Agent's professional group (as defined in NI 33-105) hold approximately 4.7% of the issued and outstanding Ordinary Shares as at the date hereof.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditor

The auditor of the Company is Hein & Associates LLP, Certified Public Accountants, 717 17th Street, 16th Floor, Denver, Colorado, 80202. Hein & Associates LLP is registered as a participating audit firm with the Canadian Public Accountability Board.

Transfer Agent and Registrar

The principal transfer agent and registrar of the Company is Genesis Trust & Corporate Services, Second Floor, Compass Centre, Shedden Road, P.O. Box 448 GT, George Town, Grand Cayman, KY1 1106, Cayman Islands. Computershare Investor Services Inc. at its principal office in Vancouver, British Columbia is the co-transfer agent and registrar of the Company.

MATERIAL CONTRACTS

The following are material contracts entered into by the Company since January 1, 2007 (or before that date if the material contract is still in effect) or will be entered into by the Company prior to the Closing:

- (1) Convertible Debentures. See “Description of Share Capital and Securities Distributed—Convertible Debentures”.
- (2) Agreement and Plan of Merger dated as of June 24, 2008 among ID Rehab Corp., the Company and Mergeco, Inc., as will be supplemented by an agreement to be entered into between the Company and ID Rehab Corp. prior to Closing to provide for procedures for the issuance of Ordinary Shares upon any conversion of the Convertible Debentures. See “Corporate Structure”.
- (3) Agency Agreement dated for reference June 30, 2008 between the Company and the Agent. See “Plan of Distribution”.
- (4) Warrant Agreement to be entered into between the Company and the warrant agent in respect of the Warrants to be issued as part of the Units under the Offering. See “Description of Share Capital and Securities Distributed—Warrants”.
- (5) Escrow Agreement to be entered into by the Company, the Company’s principals and the escrow agent. See “Escrowed Securities and Securities Subject to Contractual Restriction on Transfer”.

EXPERTS

Certain legal matters in respect of this Offering will be passed upon at the closing of this Offering on behalf of the Company by Koffman Kalef LLP and on behalf of the Agent by McCullough O’Connor Irwin LLP. As at the date hereof, the partners and associates of Koffman Kalef LLP, as a group, and the partners and associates of McCullough O’Connor Irwin LLP, as a group, beneficially hold, directly or indirectly, hold no securities of the Company.

Hein & Associates LLP, Certified Public Accountants, is the Company’s auditor and such firm has prepared an opinion with respect to the Company’s financial statements as at and for the financial years ended December 31, 2007, 2006 and 2005. Hein & Associates LLP is independent in accordance with the auditor’s rules of professional conduct in British Columbia.

OTHER MATERIAL FACTS

There are no other material facts about the securities being distributed that are not disclosed elsewhere in this prospectus.

RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in the provinces of British Columbia, Alberta and Ontario provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus and any amendment contain a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

APPENDIX A

ID WATCHDOG, INC. AUDIT COMMITTEE CHARTER

Purpose

The purpose of the Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of ID Watchdog, Inc. (the “Company”) is to (i) assist the Board in its oversight of (a) the integrity of the Company’s financial statements, (b) the Company’s compliance with legal and regulatory requirements, (c) the qualifications and independence of the Company’s external auditor (the “external auditor”), and (d) the performance of the Company’s Chief Financial Officer (“CFO”) and the external auditor; and (ii) prepare the report of the Committee required to be included in the Company’s annual management information circular.

The Board recognizes that while the Committee has been given certain duties and responsibilities pursuant to this Charter, the Committee is not responsible for guaranteeing the accuracy of the Company’s financial statements or the quality of the Company’s accounting practices. The fundamental responsibility for the Company’s financial statements and disclosures rests with management and the external auditor. The Board also recognizes that meeting the responsibilities of an audit committee requires a degree of flexibility. To the extent that procedures included in this Charter go beyond what is required of an audit committee by existing law and regulation, such procedures are meant to serve as guidelines rather than inflexible rules and the Committee is encouraged to adopt such different or additional procedures as it deems necessary from time to time.

Composition of the Committee

The Members (“Members”) of the Committee shall be appointed by the Board on the recommendation of the Governance & Nominating Committee and shall serve for such terms as the Board may determine, or until their earlier resignation, death or removal by the Board.

The Committee will consist of three or more directors that meet the criteria for independence and financial literacy established by applicable laws and the rules of the stock exchange upon which the Corporation’s securities are listed, including National Instrument 52-110, *Audit Committees*, provided that, so long as the Company is a “Venture Issuer” within the meaning of applicable securities legislation, the Committee may be comprised of directors who may be “non-independent” directors to the extent permitted by National Instrument 52-110 and the rules of such stock exchange. In addition, to the extent required under National Instrument 52-110, each director will be free of any relationship which could, in the view of the Board, reasonably interfere with the exercise of a Member’s independent judgment.

The Board will appoint one of the Members to act as the Chairman of the Committee.

The Committee shall maintain copies of minutes of each meeting of the Committee, and each unanimous written consent to action taken without a meeting, reflecting the actions so authorized or taken by the Committee.

Meetings

Meetings of the Committee will be held at such times and places as the Chairman may determine, but in any event not less than four times per year. Twenty-four (24) hours advance notice of each meeting will be given to each Member orally, by telephone, by facsimile or email, unless all Members are present and waive notice, or if those absent waive notice before or after a meeting. Members may attend all meetings either in person or by conference call.

At the request of the external auditors of the Corporation, the Chief Executive Officer (“CEO”) or the CFO of the Company or any Member of the Committee, the Chairman will convene a meeting of the Committee. Any such request will set out in reasonable detail the business proposed to be conducted at the meeting so requested.

The Chairman, if present, will act as the Chairman of meetings of the Committee. If the Chairman is not present at a meeting of the Committee, then the Members present may select a Member to act as Chairman of the meeting.

A majority of Members will constitute a quorum for a meeting of the Committee. Each Member will have one vote and decisions of the Committee will be made by an affirmative vote of the majority. The Chairman will not have a deciding or casting vote in the case of an equality of votes. Powers of the Committee may also be exercised by written resolution signed by all Members.

The Committee may invite from time to time such persons as it sees fit to attend its meetings and to take part in the discussion and consideration of the affairs of the Committee.

In advance of every regular meeting of the Committee, the Chairman will prepare and distribute to the Members and others as deemed appropriate by the Chairman, an agenda of matters to be addressed at the meeting together with appropriate briefing materials. The Committee may require officers and employees of the Corporation to produce such information and reports as the Committee may deem appropriate in order to fulfill its duties.

External Advisors

The Committee shall have the sole authority to obtain, at the Company's expense, but at funding levels determined by the Committee, advice and assistance from outside legal, accounting or other advisors. The Committee shall also have authority to obtain advice and assistance from any officer or employee of the Company.

Duties and Responsibilities

The Committee shall:

1. Review the adequacy of this Charter at least annually.
2. Pre-approve all audit and non-audit services to be provided to the Company by the external auditor and the compensation related thereto, subject to any exceptions provided by law. The Committee may delegate to one or more of its Members the authority to grant such pre-approvals, provided that any such decision of such Member or Members must be presented to the full Committee at its next scheduled meeting.
3. Oversee the work of the external auditors with respect to preparing and issuing an audit report or performing other audit, review or attest services for the Company, including the resolution of issues between management of the Company and the external auditors regarding financial disclosures.
4. Review the independence of the external auditors, including a written report from the external auditors respecting their independence taking into consideration applicable auditor independence standards.
5. Review the results of the external audit and the report thereon including, without limitation, a discussion with the external auditors as to the quality of accounting principles used, critical accounting policies and accounting estimates, any alternative treatments of financial information that have been discussed with management of the Company, the ramifications of their use as well as any other material changes.
6. Review any report describing all material written communication between management and the auditors such as management letters and schedule of unadjusted differences.
7. Review reports to management prepared by the external auditor or the CFO and any responses to the same by management.
8. Review the performance of the external auditors who are accountable to the Committee and the Board as representatives of the shareholders, including the lead partner of the external auditors' team and recommend to the Board the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation and the compensation of the external auditors.
9. Discuss with the external auditors their perception of the Company's financial and accounting personnel, records and systems, the cooperation which the external auditors received during their course of their review and availability of records, data and other requested information and any recommendations with respect thereto.

10. Review the reasons for any proposed change in the external auditors which is not initiated by the Committee or Board and any other significant issues related to the change, including the response of the incumbent auditors, and enquire as to the qualifications of the proposed auditors and make recommendations to the Board.
11. Set clear hiring policies for employees or former employees of the external auditor.
12. Meet separately, periodically, with management, the CFO and the external auditor.
13. Review with the Company's chief legal officer or outside counsel, the Company's compliance with legal and regulatory requirements.
14. Review annually the effect of regulatory and accounting initiatives on the Company's financial statements.
15. Review annually the effect of off-balance sheet structures, if any, on the Company's financial statements.
16. Review and recommend to the Board for approval, the quarterly financial statements, management's discussion and analysis ("MD&A"), financial reports and any public release of financial information through press release or otherwise.
17. Review and recommend to the Board for approval, the audited annual financial statements, including the auditors' report thereon, MD&A and financial reports.
18. Review and recommend to the Board for approval, where appropriate, financial information contained in any prospectuses, annual information forms ("AIF"), material change disclosures of a financial nature and similar disclosure documents.
19. Review with management of the Company and with external auditors significant accounting principles and disclosure issues and alternative treatments under Canadian generally accepted accounting principles ("GAAP") all with a view to gaining reasonable assurance that financial statements are accurate, complete and present fairly the Company's financial position and the results of its operations in accordance with Canadian GAAP.
20. Satisfy itself that adequate procedures are in place for the review of the external disclosure of financial information extracted or derived from the Company's financial statements.
21. Review and assess the adequacy and effectiveness of the Corporation's system of internal control and management information systems through discussions with management and the external auditor to ensure that the Corporation maintains: (i) the necessary books, records and accounts in sufficient detail to accurately and fairly reflect the Company's transactions; (ii) effective internal control systems; and (iii) adequate processes for assessing the risk of material misstatement of the financial statements and for detecting internal control weaknesses or fraud. From time to time the Committee will assess whether a formal internal audit department is necessary or desirable having regard to the size and stage of development of the Company at any particular time.
22. Periodically assess the adequacy of such systems and procedures to ensure compliance with regulatory requirements and recommendations.
23. Review with the external auditor, and management, the extent to which any previously-approved changes or improvements in financial or accounting practices and internal controls have been implemented.
24. Review and assess the adequacy of the Company's risk management policies and procedures with regard to identification of the Company's principal risks and implementation of appropriate systems to manage such risks including an assessment of the adequacy of insurance coverage maintained by the Company.
25. Review and discuss the Corporation's major financial risk exposures and the steps taken to monitor and control such exposures, including the use of any financial derivatives and hedging activities.

26. Review and discuss company-specific risks (including financial reporting risks, risks of fraud and risks of management override) with the CFO and/or management. Present findings, if any, to the Board of Directors.
27. Establish procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Review periodically with management and CFO these procedures and any significant complaints received.
28. Report regularly to the Board, both with respect to the activities of the Committee generally and with respect to any issues that arise regarding the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the external auditor or the performance of the CFO.
29. Conduct an annual performance evaluation of the external auditor and the CFO.
30. Perform such other duties and responsibilities, consistent with this Charter and governing law, delegated to the Committee by the Board.

IDENTITY REHAB CORPORATION
BALANCE SHEETS
(Unaudited)
(Expressed in U.S. Dollars)

	March 31, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,349,946	\$ 631,665
Accounts receivable	8,002	8,083
Prepaid expenses and other	148,258	66,098
Total current assets	2,506,206	705,846
Furniture and equipment, net (Note 3)	300,021	212,429
Debt offering costs, net (Note 5)	405,125	486,810
Intangible assets	3,300	3,300
Total long-term assets	708,446	702,539
Total assets	\$ 3,214,652	\$ 1,408,385
LIABILITIES		
Current liabilities:		
Accounts payable, including related parties of \$0 and \$21,152 at March 31, 2008 and December 31, 2007, respectively	\$ 226,111	\$ 204,823
Accrued liabilities	376,527	256,955
Current portion of capital lease obligation (Note 5)	2,290	2,290
Total current liabilities	604,928	464,068
Convertible debentures, net of unamortized discount of \$224,215 and \$269,155 at March 31, 2008 and December 31, 2007, respectively (Note 5)	3,501,076	3,456,136
Capital lease obligation, net of current portion (Note 5)	9,701	10,289
Total liabilities	4,115,705	3,930,493
Commitments and Contingencies		
Series A redeemable convertible preferred stock; \$2.00 stated value; 1,750,000 shares authorized, issued and outstanding at March 31, 2008; no shares authorized, issued and outstanding at December 31, 2007, liquidation preference of \$3,500,000 at March 31, 2008; plus accrued and unpaid dividends of \$72,493 and net of unamortized discount of \$931,442 (Note 6)	2,641,051	—
SHAREHOLDERS' DEFICIT (Note 7):		
Preferred stock; no par value; 10,000,000 shares authorized, 1,750,000 Series A redeemable convertible shares issued and outstanding at March 31, 2008 (see above)	—	—
Common stock; no par value; 100,000,000 shares authorized, 20,027,918 and 19,912,408 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively	3,808,313	2,188,756
Accumulated deficit	(7,350,417)	(4,710,864)
Total shareholders' deficit	(3,542,104)	(2,522,108)
Total liabilities and shareholders' deficit	\$ 3,214,652	\$ 1,408,385

See notes to unaudited financial statements

IDENTITY REHAB CORPORATION
STATEMENTS OF OPERATIONS
(Unaudited)
(Expressed in U.S. Dollars)

	Three Months Ended March 31,	
	2008	2007
Revenue	\$ 891,326	\$ 1,855
Cost of revenue	226,975	2,329
Gross profit	<u>664,351</u>	<u>(474)</u>
Operating expenses:		
Marketing expense	1,821,413	36,595
General and administrative expense:		
Consulting, related parties (Note 4)	40,417	153,832
Other	521,869	144,703
Research and development expense	—	14,595
Total operating expenses	<u>2,383,699</u>	<u>349,725</u>
Operating loss	<u>(1,719,348)</u>	<u>(350,199)</u>
Other income (expense):		
Interest income	18,343	—
Interest expense, related party	—	(6,792)
Interest expense, other	(210,497)	—
Loss on sale of equipment	(502)	—
Total other expense	<u>(192,656)</u>	<u>(6,792)</u>
Net loss	<u>(1,912,004)</u>	<u>(356,991)</u>
Dividends on redeemable convertible preferred stock	(72,493)	—
Deemed dividends on redeemable convertible preferred stock	(508,176)	—
Accretion of discount related to redeemable convertible preferred stock	<u>(146,880)</u>	<u>—</u>
Net loss applicable to common shares	<u>\$ (2,639,553)</u>	<u>\$ (356,991)</u>
Basic and diluted net loss per common share	<u>\$ (0.13)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>20,010,614</u>	<u>17,625,556</u>

See notes to unaudited financial statements

IDENTITY REHAB CORPORATION
STATEMENTS SHAREHOLDERS' DEFICIT
(Unaudited)
(Expressed in U.S. Dollars)

	<u>Common Shares</u>	<u>Common Stock</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Deficit</u>
Balances, December 31, 2007	19,912,408	\$ 2,188,756	\$ (4,710,864)	\$ (2,522,108)
Stock options exercised	55,556	8,333	—	8,333
Common stock issued in satisfaction of accrued interest	59,954	16,787	—	16,787
Warrants issued in connection with redeemable convertible preferred stock	—	355,749	—	355,749
Stock-based compensation expense	—	7,939	—	7,939
Beneficial conversion feature on preferred stock..	—	1,230,749	—	1,230,749
Dividends on redeemable convertible preferred stock	—	—	(72,493)	(72,493)
Deemed dividends on redeemable convertible preferred stock	—	—	(508,176)	(508,176)
Accretion of discount on redeemable convertible preferred stock	—	—	(146,880)	(146,880)
Net loss	—	—	(1,912,004)	(1,912,004)
Balances, March 31, 2008	<u>20,027,918</u>	<u>\$ 3,808,313</u>	<u>\$ (7,350,417)</u>	<u>\$ (3,542,104)</u>

See notes to unaudited financial statements.

IDENTITY REHAB CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in U.S. Dollars)

	Three Months Ended March 31,	2008	2007
Cash flows from operating activities:			
Net loss	\$	(1,912,004)	\$ (356,991)
Adjustment to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense		25,028	10,286
Amortization of debt offering costs		81,685	—
Amortization of convertible debenture discount		44,940	—
Stock-based compensation expense and stock issued for services		7,938	19,582
Common stock issued in payment of interest		16,787	—
Compensation paid by officer/shareholder		—	74,500
Loss on sale of equipment		502	—
Changes in assets and liabilities:			
Decrease in receivables		81	1,521
Increase in prepaid expenses and other		(82,160)	—
Increase in accounts payable		21,288	122,692
Increase (decrease) in accrued liabilities		119,572	(23,002)
Net cash used in operating activities		(1,676,343)	(151,412)
Cash flows from investing activities:			
Capital expenditures		(113,121)	—
Net cash used in investing activities		(113,121)	—
Cash flows from financing activities:			
Proceeds from redeemable convertible preferred stock		3,500,000	—
Proceeds from exercise of stock options		8,333	—
Repayment of capital lease obligation		(588)	—
Proceeds from issuance of convertible notes		—	197,813
Debt offering costs		—	(39,086)
Net cash provided by financing activities		3,507,745	158,727
Net increase in cash	\$	1,718,281	\$ 7,315
Cash and cash equivalents, beginning of period	\$	631,665	\$ 308
Cash and cash equivalents, end of period	\$	2,349,946	\$ 7,623
Supplemental disclosure of cash flow information:			
Cash paid for interest	\$	67,381	\$ —
Supplemental disclosure of non-cash investing and financing activities:			
Common stock issued in satisfaction of accrued interest	\$	16,787	\$ —

See notes to unaudited financial statement

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2008
(Unaudited)
(Expressed in U.S. Dollars)

1. Organization, Basis of Presentation, and Liquidity, Going Concern and Management's Plans:

Organization:

Identity Rehab Corporation (the "Company") is a Colorado corporation formed in December 2005 as the successor company to ID Rehab, LLC, which was formed in July 2005. The Company provides a variety of services, primarily on a subscription basis, to consumers wanting identity theft detection and resloution services. During the quarter ended December 31, 2007, the Company transitioned from a development stage enterprise to an operating company.

Interim reporting:

The accompanying financial statements of the Company are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial statements. Accordingly, they do not necessarily include all the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the accompanying financial statements include all adjustments, which are normal and recurring in nature, considered necessary to present fairly the Company's financial position as of March 31, 2008, the results of operations for the three months ended March 31, 2008 and 2007, and cash flows for the three months ended March 31, 2008 and 2007. The results of operations for the three months ended March 31, 2008 are not necessarily indicative of those to be expected for the entire year. For a more complete understanding of the Company's operations, financial position and accounting policies, these financial statements and the notes thereto should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2007.

Liquidity:

The Company has incurred significant losses from operations, and has funded its operations primarily through private placements of debt and equity including loans from related parties. The Company also has a limited operating history and has only recently had significant revenue-producing operations beginning in the fourth quarter of 2007. The net proceeds from these private placements are to provide working capital for use principally in connection with the Company's growth plan programs during the next nine months.

2. Summary of Significant Accounting Policies:

Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Cash and cash equivalents:

Cash and cash equivalents are highly liquid investments that consist primarily of short-term money market instruments and overnight deposits with insignificant interest rate risk and original maturities of three months or less at the time of purchase. We utilize and invest with financial institutions that are sound and of high credit quality. Our investments are in low-risk instruments and we limit our credit exposure in any one institution or type of investment instrument based upon criteria including creditworthiness.

Furniture, equipment, leasehold improvements, depreciation and amortization:

Furniture, equipment, leasehold improvements and computer software are stated at cost and are depreciated and amortized using the straight-line method over the estimated useful lives of the assets ranging from three to five years.

Debt offering costs:

Debt offering costs are amortized to interest expense over the life of the related debt instrument using the straight-line method which approximates the effective interest method.

Intangible assets:

Intangible assets represent the costs of trademarks and are amortize them over the shorter of the lives of the trademarks or the estimated useful lives using the straight-line method, subject to periodic evaluation for possible impairment.

Long-lived assets:

Management assesses the carrying values of long-lived assets for impairment when circumstances indicate that such amounts may not be recoverable from future operations. Generally, long-lived assets are considered impaired if the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. At March 31, 2008 and December 31, 2007, management believes that no impairment exists.

Fair value of financial instruments:

The fair value of the Company's cash, accounts receivable, accounts payable, accrued liabilities and other current liabilities approximate their carrying amounts due to the short-term nature of these instruments. The Company's 9% convertible debentures and Series A redeemable convertible preferred stock are carried at amortized cost, which approximates fair value. See also Notes 5 and 6.

Convertible securities:

The Company accounts for conversion options imbedded in its convertible securities in accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133") and the FASB's Emerging Issues Task Force ("EITF") Issue No. 00-19 "Accounting for Derivative

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19") and related interpretations. SFAS No. 133 generally requires companies to bifurcate conversion options embedded in convertible securities from their host instruments and to account for them as free-standing derivative instruments in accordance with EITF 00-19. SFAS No. 133 provides an exception to this rule when convertible notes, as host instruments, are deemed to be conventional convertible debt as that term is described in the implementation guidance under Appendix A to SFAS No. 133 and further clarified in EITF Issue No. 05-2 "The Meaning of Conventional Convertible Debt Instrument in Issue No. 00-19." SFAS No. 133 also provides an exception to this rule when convertible preferred stock has a mandatory redemption feature. Accordingly, the Company has evaluated its convertible securities and has determined that bifurcation is not required.

The Company also accounts for its convertible securities in accordance with the provisions of EITF Issue No. 98-5 "Accounting for Convertible Securities with Beneficial Conversion Features" ("EITF 98-5") and EITF Issue No. 00-27 "Application of EITF 98-5 to Certain Convertible Instruments." Accordingly, the Company records, as a discount to convertible securities, the intrinsic value of such beneficial conversion features based upon the differences between the fair value of the underlying common stock at the commitment date of the security transaction and the effective conversion price embedded in the instrument. Discounts under these arrangements are amortized over the expected term to the redemption date of the related security.

Revenue recognition:

The Company recognizes revenue on identity theft detection and resolution services. The Company's services are offered to consumers principally on a monthly subscription basis or to consumers as the service is delivered, such as the Company's identity resolution product. Subscription fees are generally billed directly to the subscriber's credit card or demand deposit account. At times, as a means of allowing customers to become familiar with the Company's services, the Company offers free trial or guaranteed refund periods. No revenue is recognized until these applicable periods are completed.

The point in time at which the Company recognizes revenue from services is determined in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") No. 101 "Revenue Recognition in Financial Statements," as amended by SAB No. 104 "Revenue Recognition." Consistent with the requirements of these SABs: a.) persuasive evidence of arrangement exists, b.) delivery has occurred once the product is transmitted, c.) the seller's price to the buyer is fixed, as sales are generally based on contract or list prices, and d.) collectibility is reasonably assured, as individual customers pay by credit card which has limited the Company's risk of non-collection. Revenue for monthly subscriptions is recognized in the month the subscription fee is earned.

Revenue for annual subscription fees is deferred if the subscriber has the right to cancel the service. Annual subscriptions include subscribers with full refund provisions at any time during the subscription period and pro-rata refund provisions. Revenue related to annual subscriptions with full refund provisions is recognized on the expiration of these refund provisions. Revenue related to annual subscribers with pro-rata provisions is recognized based on a pro-rata share of revenue earned. An allowance for subscription refunds is established based on actual refund experience for estimated future charge-backs and refunds applicable to previously recognized revenue under the aforementioned policies. The allowance for subscription refunds was \$7,182 and \$5,489 at March 31, 2008 and December 31, 2007, respectively.

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Loss per share:

Basic net loss per common share (“EPS”) is computed by dividing net loss applicable to common shares by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. Currently, all potentially dilutive securities have an anti-dilutive effect on EPS and accordingly, basic and dilutive weighted average shares are the same. As of March 31, 2008, a total of 46,704,000 shares of dilutable securities have been excluded from the calculation of EPS, as the effect of including these securities would be anti-dilutive, as follows:

Potentially Dilutive Securities as of March 31, 2008	
	(shares)
Convertible debentures	13,304,610
Redeemable convertible preferred stock	12,758,904
Warrants	18,965,486
Stock options	1,675,000
Total	46,704,000

Research and development:

The Company includes in research and development expense: payroll and other expense items directly attributable to research and development. The Company does not contract its research and development work, nor does it perform research and development work for others.

Advertising:

Advertising costs are expensed as incurred. For the three months ended March 31, 2008 and 2007, advertising costs were approximately \$485,930 and \$3,843, respectively.

Stock-based compensation:

The Company accounts for stock-based compensation expense in accordance with SFAS” No. 123 (revised 2004) “Share-Based Payment” (“SFAS No. 123R”). SFAS No. 123R requires the recognition of the cost of employee services received in exchange for an award of equity instruments to be measured based on the grant date fair value of the award. SFAS 123R also requires stock option compensation expense to be recognized over the period during which an employee is required to provide service in exchange for the award (generally the vesting period).

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The Company estimated the fair value of each stock option at the grant date by using the Black-Scholes option pricing model with the following assumptions used for valuing stock option grants during the three months ended March 31, 2008:

	<u>Three Months Ended March 31, 2008</u>
Expected term	5 years
Estimated volatility	38%
Risk-free interest rate	2.64%
Dividend yield	0%
Forfeitures	10%

The expected term of stock options represents the period of time that the stock options granted are expected to be outstanding. The estimated volatility is based on historical volatility of a similar entity with publicly-traded securities. The risk-free interest rate represents the U.S. Treasury bill rate for the expected term of the related stock options. The dividend yield represents the Company's anticipated cash dividend over the expected term of the stock options. Forfeitures represent the weighted-average estimate of future options to be forfeited or cancelled, primarily due to employee terminations.

Income taxes:

The Company recognizes deferred tax assets and liabilities based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that may result in taxable or deductible amounts in future years. The measurement of deferred tax assets may be reduced by a valuation allowance based upon management's assessment of available evidence if it is deemed more likely than not some or all of the deferred tax assets will not be realizable. Currently, a valuation allowance of 100% is provided for the deferred tax asset resulting from the Company's net operating loss carry forward in each of the reporting years.

The Company recognizes interest and penalties accrued on any uncertain tax positions as a component of income tax expense. The Company did not have any accrued interest or accrued penalties associated with any uncertain tax positions at March 31, 2008 and December 31, 2007; nor were any income tax expenses recognized during the three months ended March 31, 2008 and 2007, respectively, associated with uncertain tax positions.

Recently adopted accounting pronouncements:

Effective January 1, 2007, the Company adopted FSAB Interpretation ("FIN") No. 48 "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"), which prescribes a comprehensive model for how the Company should recognize, measure, present and disclose in its financial statements uncertain tax positions taken or expected to be taken on a tax return. The Company has evaluated its tax positions and has determined that the adoption of FIN 48 did not have an impact on its financial statements.

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Effective January 1, 2008 the Company adopted SFAS No. 157 “Fair Value Measurements” (“SFAS No. 157”), which defines fair value, establishes a framework for measuring fair value in U.S. GAAP and expands disclosure about fair value measurements. The standard applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value in any new circumstances. The adoption of SFAS No. 157 did not have an impact on the Company’s financial statements.

Reclassifications:

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

Recently issued accounting pronouncements:

In March 2008, the FASB issued SFAS No. 161 “Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement No. 133” which requires enhanced disclosures on the effect of derivatives on a Company’s financial statements. These disclosures will be required for the Company beginning with the first quarter fiscal 2009 financial statements.

In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2 “Effective Date of FASB Statement No. 157”, which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, the Company has only adopted the provisions of SFAS No. 157 with respect to its financial assets and liabilities that are measured at fair value within the financial statements as of March 31, 2008, and the provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities as the Company does not have any non-financial assets or liabilities to which the deferral applies.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) “Business Combinations” (“SFAS No. 141R”) which becomes effective for fiscal periods beginning after December 15, 2008 (fiscal 2009 for the Company). SFAS No. 141R requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). Companies applying this method will have to identify the acquirer, determine the acquisition date and purchase price and recognize at their acquisition date fair values of the identifiable assets acquired, liabilities assumed, and any non-controlling interests in the acquiree. In the case of a bargain purchase the acquirer is required to reevaluate the measurements of the recognized assets and liabilities at the acquisition date and recognize a gain on that date if an excess remains. The adoption of SFAS No. 141R is not expected to have an impact on the Company’s financial statements.

In December 2007, the FASB issued SFAS No. 160 “Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51” (SFAS No. 160”), which becomes effective for fiscal periods beginning after December 15, 2008 (fiscal 2009 for the Company). This statement amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. The statement requires ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent’s equity. The statement also requires consolidated net income to be reported at amounts that include the amounts

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attributable to both the parent and the non-controlling interest with disclosure on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. In addition this statement establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. The adoption of SFAS No. 160 is not expected to have an impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159 "The Fair Value Option for Financial Assets and Financial Liabilities-Including an Amendment of FASB Statement No. 115" ("SFAS No. 159"). SFAS No. 159 permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions of SFAS No. 159 are elective; however, the amendment to SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities" applies to all entities with available for sale or trading securities. SFAS No. 159 is elective as of the beginning of an entity's first fiscal year that begins after November 15, 2007 (fiscal 2008 for the Company). The Company has elected not to adopt this pronouncement and as a result it did not have a material impact on the Company's financial statements.

3. Furniture and Equipment:

Furniture and equipment consists of the following at March 31, 2008 and December 31, 2007:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Office equipment	\$ 108,613	\$ 236,419
Furniture and fixtures	61,898	42,079
Computer software	226,007	6,200
Total furniture and equipment	396,518	284,698
Less: accumulated depreciation and amortization	(96,497)	(72,269)
Furniture and equipment, net	<u>\$ 300,021</u>	<u>\$ 212,429</u>

Office equipment at March 31, 2008 and December 31, 2007, includes \$18,670 of assets under a capital lease.

Depreciation and amortization expense for the three months ended March 31, 2008 and March 31, 2007, was \$25,028 and \$10,268, respectively, and is included in general and administrative expense.

4. Related Party Transactions:

Consulting services:

During the three months ended March 31, 2008 and 2007, the Company incurred \$40,417 and \$153,832 of consulting expense for services provided by related parties, respectively.

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During the three months ended March 31, 2008, the Company incurred \$25,417 for consulting services provided by the Company's chief executive officer and \$15,000 for consulting services provided by a member of the Company's Board of Directors.

During the three months ended March 31, 2007, the Company incurred \$31,250 for consulting services provided by the Company's chief executive officer, \$18,000 for consulting services provided by the Company's current president (prior to his becoming an employee in July 2007) and \$74,500 in stock-based compensation expense for consulting services provided by the Company's former president who was a member of the Company's advisory board. In addition, the Company paid \$29,500 to two other advisory board members and recognized \$582 in stock-based compensation expense applicable to an employee.

At March 31, 2008 and December 31, 2007, accounts payable to related parties was \$0 and \$21,152, respectively.

5. Borrowings:

At March 31, 2008 and December 31, 2007, our borrowings net of discounts, consisted of the following:

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Current borrowings:		
Current portion of capital lease obligation	\$ 2,290	\$ 2,290
Total current borrowings	<u>\$ 2,290</u>	<u>\$ 2,290</u>
Long-term borrowings:		
Convertible debentures	\$ 3,725,291	\$ 3,725,291
Unamortized discount	(224,215)	(269,155)
Convertible debentures, net	<u>3,501,076</u>	<u>3,456,136</u>
Long-term capital lease obligation, net	9,701	10,289
Total long-term borrowings	<u>\$ 3,510,777</u>	<u>\$ 3,466,425</u>

During the three months ended March 31, 2008 and 2007, the Company recognized \$44,940 and \$0 of debt discount amortization applicable to the convertible debentures, respectively. Debt discount amortization is included in interest expense in the Company's statements of operations.

During the three months ended March 31, 2008 and 2007, the Company recognized \$81,685 and \$0 of debt offering costs amortization applicable to the convertible debentures, respectively. Debt offering costs amortization is included in interest expense in the Company's statements of operations.

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6. Series A Redeemable Convertible Preferred Stock and Warrants

On January 28, 2008, the Company amended its Articles of Incorporation (“Amended Articles of Incorporation”) authorizing 1,750,000 shares of Series A Convertible Preferred Stock (“Series A Preferred”) with a stated value of \$2.00 per share (“Stated Value”) and included the following preferences, limitations and rights.

Dividends:

Dividends on Series A Preferred shares accrue at 12% per annum on the Stated Value, are cumulative, and are payable in cash on the first day of each quarter when the Company becomes profitable. Series A Preferred dividends have priority over dividends on common stock and any other capital stock of the Company. Series A Preferred shares are participating in any common stock dividends and will be paid on the same terms and in the same fashion as if all of the Series A Preferred shares were converted into common shares.

Liquidation preferences:

Series A Preferred shares have a liquidation preference in an amount equal to the greater of: a.) the Stated Value per share plus any accrued and unpaid dividends, or, b.) the amount per share that would have been payable had each share been converted into common stock immediately prior to liquidation.

Voting rights:

Series A Preferred shares have voting rights and powers equal to the voting rights of common shares on an “as if” converted to common shares basis. As long as one-third of the series A Preferred shares are outstanding, the Company must obtain a waiver from the holders of the majority of the outstanding Series A Preferred shares before: a.) declaring or paying cash dividends on common stock or other capital stock of the Company, b.) authorizing or issuing additional shares of Series A Preferred, c.) amending the rights, preferences or privileges of the Series A Preferred, d.) authorizing any equity security senior to or on parity with the Series A Preferred, e.) merging or consolidating with any other company, or selling all or substantially all of the Company’s assets, or, f.) effecting any transaction in which the holders of the Company’s voting interest prior to such transaction hold less than 50% of the voting interest in the Corporation following such transaction.

Conversion rates:

During the period January 28, 2008, through December 31, 2008, the Series A Preferred shares and accrued and unpaid dividends thereon will automatically convert into shares issued in the Next Round of Financing (defined to be the issuance of common or preferred shares of the Company resulting in gross proceeds of at least \$5.0 million) at a rate equal to 125% of the Stated Value of the Series A Preferred shares (plus applicable accrued and unpaid dividends per share) to the price paid per share by investors purchasing such stock in the Next Round of Financing.

Subsequent to December 31, 2008, Series A Preferred shares, at Stated Value (plus any dividends accrued and unpaid dividends per share) will be convertible into common shares at a price that is the lesser of: a.) \$0.28 per common share, or, b.) the market price (as defined in the Amended Articles of Incorporation) of

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the common stock at the date of conversion, but in no event less than \$0.15 per common share (the "Conversion Price").

Conversion rates are subject to certain anti-dilution adjustments as defined in the Amended Articles of Incorporation.

Redemption:

On or before December 31, 2008, the Company may call, with 70 days prior written notice, all Series A Preferred shares at an amount equal to 120% of the Stated Value per share (plus accrued and unpaid dividends per share) as of the redemption date. Upon or prior to giving notice, the Company must set aside a redemption fund in an amount equal to the total sum payable to the shareholders on the redemption date.

Any Series A Preferred shares outstanding on January 28, 2011, will be, at the option of the holder, either:
a.) mandatorily converted into common shares at the Conversion Price in effect on January 28, 2011, or,
b.) mandatorily redeemed in cash equal to the Stated Value plus all accrued and unpaid dividends.

On January 28, 2008, the Company issued 1,750,000 shares of its Series A Preferred stock and five-year warrants to purchase 3,000,000 shares of its common stock at an exercise price of \$0.35 per share, in exchange for \$3,500,000 in cash. Initially, the Series A Preferred stock will automatically convert into equity securities valued \$4,375,000 if the Company issues and sells at least \$5,000,000 of equity securities (i.e. common stock, preferred stock or securities convertible into, or exchangeable for common or preferred stock) on or before December 31, 2008.

The Series A Preferred stock is considered to be contingently redeemable shares and is classified as temporary equity on the Company's balance sheet as the Next Round of Financing may occur prior to December 31, 2008, and the Series A Preferred shares do not become mandatorily convertible unless the Next Round of Financing fails to occur on or before December 31, 2008.

In accordance with EITF Issue No. 00-27 "Application of Issue No. 98-5 for Certain Convertible Instruments" the Company allocated the \$3,500,000 gross proceeds between the warrants and the Series A Preferred on a basis of the relative fair values of each on the date of issuance. Using a market price of \$0.35, estimated annual volatility of 38% and a discount rate of 2.8%, the warrants were valued using the Black-Scholes model. The amount of gross proceeds allocated to the warrants was \$355,749 on the date of issuance and recorded as a reduction to shareholders' deficit and as a discount to the Series A Preferred stock. This discount is being accreted over the period from the issuance date to the estimated date of conversion of the Series A Preferred shares (estimated to be June 30, 2008) on a straight-line basis which approximates the effective interest method. The accretion is recorded as an increase to net loss applicable to common shares in the statement of operations. Accretion of preferred stock discount was \$146,880 and \$0 during the three months ended March 31, 2008 and 2007, respectively.

The fair value of the equity securities into which the series A Preferred was convertible on the date of issuance, \$4,375,000, exceeded the proceeds allocated to the Series A Preferred by \$1,230,749, resulting in a beneficial conversion feature in the same amount that was recorded as an increase in share capital and as a discount to the Series A Preferred stock. This discount is being amortized over the period from the issuance date to the estimated date of conversion on a straight-line basis which approximates the effective

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2008
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interest method. The amortization is recorded as a deemed dividends on redeemable convertible preferred stock and results in an increase to net loss applicable to common shares in the statement of operations. Deemed dividends on redeemable convertible preferred stock were \$508,176 and \$0 during the three months ended March 31, 2008 and 2007, respectively.

The Series A Preferred shares earn cumulative dividends at 12% per annum. No dividends were paid during the three months ended March 31, 2008, because of losses sustained by the Company. Dividends on the Series A Preferred stock were \$72,493 and \$0 during the three months ended March 31, 2008 and 2007, respectively. Accrued dividends payable were \$72,493, or \$0.04 per share, and \$0 as of March 31, 2008 and December 31, 2007, respectively, and are included in Series A redeemable convertible preferred stock on the Company's balance sheets.

Assuming that the Series A Preferred shares are not automatically converted and are held until mandatory redemption date, the Company expects to record dividends on redeemable convertible preferred stock in the amount of \$405,419, \$490,164, \$551,684 and \$43,915 for the years ending December 31, 2008, 2009, 2010 and 2011, respectively.

The Series A Preferred stock and accrued dividends were potentially convertible into 12,758,904 shares of stock on March 31, 2008, if the Next Round of Financing were priced at \$0.35 per share.

At March 31, 2008, the Company has reserved 29,166,667 common shares to effect the conversion of Series A Preferred shares and any accrued but unpaid dividends thereon.

7. Shareholders' Deficit:

Stock options:

In December 2005, the Company adopted the Identity Rehab Corporation Stock Option Plan (the "Plan") covering up to five million shares of the Company's common stock. The exercise prices of the options granted are determined by the Plan committee, which members are appointed by the Board of Directors, and are generally established at the estimated fair value of the Company's common stock at the date of grant. Options are granted with terms not to exceed five years

During the three months ended March 31, 2008, the Company granted 75,000 options to an employee with a vesting period of three years. Stock-based compensation expense is recognized over the period that the stock options vest. During the three months ended March 31, 2008 and 2007, stock-based compensation expense relating to stock options of \$7,938 and \$19,000, respectively, was recognized and included in general and administrative expense – other. During the three months ended March 31, 2007, \$582 of stock-based compensation expense relating to stock options was recognized and included in general and administrative expense – consulting, related parties. As of March 31, 2008, there were 562,500 unvested stock options outstanding and the total unrecognized stock-based compensation expense relating to these options was \$52,188. The weighted average term of unrecognized stock-based compensation expense was 2.04 years at March 31, 2008.

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2008
(Unaudited)
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A summary of stock option activity for the three months ended March 31, 2008 follows:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2007 ..	1,655,556	\$ 0.20	3.86	\$ 124,223
Granted	75,000	0.35		
Exercised	(55,556)	0.15		11,111
Forfeited	—	—		
Cancelled	—	—		
Outstanding as of March 31, 2008 ..	<u>1,675,000</u>	<u>\$ 0.21</u>	<u>3.69</u>	<u>\$ 229,000</u>
Exercisable at March 31, 2008	<u>1,112,500</u>	<u>\$ 0.17</u>	<u>3.38</u>	<u>\$ 194,875</u>

Warrants:

A summary of warrant activity for the three months ended March 31, 2008 follows:

	Shares	Weighted Average Exercise Price
Outstanding as of January 1, 2007	15,965,486	\$ 0.375
Issued	3,000,000	0.350
Exercised	—	—
Cancelled	—	—
Outstanding as of March 31, 2008	<u>18,965,486</u>	<u>\$ 0.371</u>

The following table presents the composition of warrants outstanding as of March 31, 2008:

Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (years)
\$0.35	10,982,743	4.41
\$0.40	7,982,743	4.26
Total warrants outstanding as of March 31, 2008	<u>18,965,486</u>	<u>4.35</u>

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2008
(Unaudited)
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Common Shares Reserved for Future Issuance:

The following shares of common stock are reserved for future issuance at March 31, 2008:

Stock option plan	1,675,000
Warrants	18,965,486
Convertible debentures	13,304,610
Redeemable convertible preferred stock	29,166,667
Total	<u>63,111,763</u>

8. Subsequent Events:

On May 29, 2008, the Company sold 418,500 shares of Series B Convertible Preferred Stock (“Series B Preferred”) and five-year warrants to purchase 358,236 shares of the Company’s common stock for gross proceeds of \$837,000. The warrants have an exercise price of \$0.60 per share. The rights, privileges and limitations of the Series B Preferred shares are identical to the rights, privileges and limitations of the Series A Preferred shares with the following exceptions: the series B Preferred stock voting rights do not become effective until after December 31, 2008.

On June 4, 2008, the Company received notice from the New York City Department of Consumer Affairs (the “DCA”) alleging violations of the New York City Consumer Protection Law and Rules. The notice alleges the Company used its advertisements in print media, television, the internet and other media to deceive or mislead consumers.

The Company’s legal counsel has been in communications with the DCA in an effort to resolve the claims and the Company has taken action to remove its advertisements and suspend sales in New York while this matter is pending. The Company is continuing to service its existing New York customers, without charge, while these claims are pending or until the Company believes it has resolved the claims. At this time, the Company is not able to estimate the results or effects of this action by the DCA on the operations of the Company.

Pursuant an Agreement and Plan of Merger dated as of June 24, 2008 among Identity Rehab Corporation, ID Watchdog, Inc.(then a wholly-owned subsidiary of Identity Rehab Corporation) and Mergeco, Inc. (then a wholly-owned subsidiary of the ID Watchdog, Inc.), Mergeco, Inc. merged into Identity Rehab Corporation, and Identity Rehab Corporation became a wholly-owned subsidiary of ID Watchdog, Inc. (the “Reorganization”). ID Watchdog, Inc. is a limited liability exempted company incorporated on May 13, 2008 under the laws of the Cayman Islands. Upon the completion of the Reorganization on June 25, 2008, former shareholders of Identity Rehab Corporation exchanged their securities of Identity Rehab Corporation for equivalent securities of ID Watchdog, Inc. on a one-for-one basis. Convertible Debentures of Identity Rehab Corporation will remain the obligation of Identity Rehab Corporation but will be convertible into Ordinary Shares of ID Watchdog, Inc.

On July 4, 2008, the Company filed a preliminary prospectus dated June 30, 2008 with the British Columbia, Alberta and Ontario Securities Commissions in connection with its initial public offering of 17,000,000 units (“Units”) at the price of CDN\$0.60 per Unit for gross proceeds of CDN\$10,200,000 (the

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
March 31, 2008
(Unaudited)
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“Offering”). Each Unit will consist of one ordinary share of the Company and one-half of one ordinary share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional ordinary share of the Company at the price of CDN\$0.90 for a period of 24 months from the date that the ordinary shares are posted and listed for trading on the TSX Venture Exchange (the “Listing Date”). Bolder Investment Partners, Ltd. (“Bolder”) and Green Drake, Inc. (together, the “Agents”) will assist the Company in selling the Units under the Offering pursuant to an agency agreement to be executed on or prior to the filing of the Company’s final prospectus for the Offering. On completion of the Offering, the Company will pay the Agents a cash commission equal to 8% of the gross proceeds of the Offering and issue to the Agents agents’ warrants equal to 8% of the total number of Units sold under the Offering, each such agents’ warrant entitling the holder to purchase one ordinary share of the Company at the price of CDN\$0.60 for a period of 24 months from the Listing Date. The Company will also issue to Bolder 50,000 Units and pay to Bolder a corporate finance fee of CDN\$150,000 on the closing of the Offering. The Company has applied for a listing of its ordinary shares on the TSX Venture Exchange.

Concurrent with the completion of the Offering, 1,750,000 outstanding Series A Convertible Preferred shares and 497,500 outstanding Series B Convertible Preferred shares of the Company will be automatically converted into units of the Company, each unit comprised of one ordinary share of the Company and one-half of one share purchase warrant of the Company, each such warrant having the same terms as the warrants issuable under the Offering. The total number of units issuable upon such automatic conversion shall be determined by dividing (i) the aggregate issue price of the Series A Convertible Preferred shares and the Series B Convertible Preferred shares based on U.S.\$2.00 per share (plus accrued but unpaid 12% cumulative dividends thereon) by (ii) the conversion price of CDN\$0.48 per ordinary share (being 0.8 times the price per Unit under the Offering).

9. Generally Accepted Accounting Principles in Canada:

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). There are no differences between U.S. GAAP and Canadian generally accepted accounting principles that would have a material effect on the Company’s financial statements.

AUDITOR'S CONSENT

We have read the final prospectus of ID Watchdog, Inc. (the "Company") dated August 14, 2008 (the "Prospectus") relating to the offer for sale of 17,000,000 units of the Company, each unit consisting of one ordinary share and one-half of one ordinary share purchase warrant of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with an offering document. We consent to the use in the Prospectus of our report to the Board of Directors of Identity Rehab Corporation ("ID Rehab"), the Company's wholly-owned subsidiary, on the balance sheets of ID Rehab as of December 31, 2007 and 2006, and the statements of operations and cash flows for each of the years ended December 31, 2007 and December 31, 2006 and for the period July 27, 2005 through December 31, 2005, and the statements of shareholders' deficit for the period July 27, 2005 through December 31, 2007, together with the notes thereto. Our report was dated June 3, 2008, except for the last five paragraphs of Note 9, as to which the date is July 4, 2008.

"Hein & Associates LLP"

Hein & Associates LLP

Denver, Colorado

August 14, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Identity Rehab Corporation

We have audited the accompanying balance sheets of Identity Rehab Corporation as of December 31, 2007 and 2006, and the related statements of operations, shareholders' deficit and cash flows for each of the years in the two-year period ended December 31, 2007 and the period July 27, 2005 through December 31, 2005. The financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Identity Rehab Corporation as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007, and the period July 27, 2005 through December 31, 2005, in conformity with U.S. generally accepted accounting principles.

"Hein & Associates LLP"

Hein & Associates LLP
Denver, Colorado

June 3, 2008, except for the last five paragraphs of Note 9, as to which the date is July 4, 2008

IDENTITY REHAB CORPORATION

BALANCE SHEETS
(Expressed in U.S. Dollars)

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 631,665	\$ 308
Related party receivable	—	2,829
Accounts receivable	8,083	—
Prepaid expenses and other	66,098	3,245
Total current assets	<u>705,846</u>	<u>6,382</u>
Furniture and equipment, net (Note 3)	212,429	98,479
Debt offering costs, net (Note 5)	486,810	—
Intangible assets	3,300	3,300
	<u>702,539</u>	<u>101,779</u>
	<u>\$ 1,408,385</u>	<u>\$ 108,161</u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable, including related parties of \$21,152 at December 31, 2007	\$ 204,823	\$ 55,417
Accrued liabilities, including related parties of \$21,561 at December 31, 2006	256,955	111,675
Current portion of capital lease obligation (Note 6)	2,290	—
Total current liabilities	<u>464,068</u>	<u>167,092</u>
Long-term liabilities:		
Convertible debentures, net of unamortized discount of \$269,155 (Note 5)	3,456,136	—
Convertible notes payable, related party (Note 4)	—	279,343
Capital lease obligation, net of current portion (Note 6)	10,289	—
Total liabilities	<u>3,930,493</u>	<u>446,435</u>
Commitments and contingencies (Notes 1, 6, 9 and 10)		
Shareholders' deficit (Note 8):		
Preferred stock; no par; 10,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock; no par; 100,000,000 shares authorized, 19,912,408 shares in 2007 and 17,697,333 in 2006 issued and outstanding	2,188,756	1,252,216
Accumulated deficit	<u>(4,710,864)</u>	<u>(1,590,490)</u>
Total shareholders' deficit	<u>(2,522,108)</u>	<u>(338,274)</u>
Total liabilities and shareholders' deficit	<u>\$ 1,408,385</u>	<u>\$ 108,161</u>

See notes to financial statements.

IDENTITY REHAB CORPORATION

STATEMENTS OF OPERATIONS
(Expressed in U.S. Dollars)

	<u>Year ended</u> <u>December 31, 2007</u>	<u>Year ended</u> <u>December 31, 2006</u>	<u>Period from</u> <u>July 27, 2005</u> <u>(inception)</u> <u>through</u> <u>December 31, 2005</u>
Revenue	\$ 159,681	\$ 29,962	\$ —
Cost of revenue	<u>86,988</u>	<u>21,081</u>	<u>—</u>
Gross profit	<u>72,693</u>	<u>8,881</u>	<u>—</u>
Operating expenses:			
Marketing expense	1,362,521	359,889	25,361
General and administrative expense:			
Consulting, related parties (Note 4)	346,082	314,164	20,658
Other	1,074,975	499,526	223,566
Research and development expense	<u>32,952</u>	<u>139,775</u>	<u>7,340</u>
	<u>2,816,530</u>	<u>1,313,354</u>	<u>276,925</u>
Operating loss	<u>(2,743,837)</u>	<u>(1,304,473)</u>	<u>(276,925)</u>
Other income (expense):			
Interest income	48,521	—	—
Interest expense, related party (Note 4)	(17,890)	(6,561)	—
Interest expense, other	(404,448)	(732)	(1,166)
Loss on sale of equipment	<u>(2,720)</u>	<u>(633)</u>	<u>—</u>
	<u>(376,537)</u>	<u>(7,926)</u>	<u>(1,166)</u>
Net loss	\$ <u>(3,120,374)</u>	\$ <u>(1,312,399)</u>	\$ <u>(278,091)</u>
Basic and diluted net loss per share	\$ <u>(0.17)</u>	\$ <u>(0.08)</u>	\$ <u>(0.03)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>18,740,220</u>	<u>15,907,671</u>	<u>10,185,732</u>

See notes to financial statements.

IDENTITY REHAB CORPORATION

STATEMENTS OF SHAREHOLDERS' DEFICIT

PERIOD FROM JULY 27, 2005 (INCEPTION) THROUGH DECEMBER 31, 2007
(Expressed in U.S. Dollars)

	Common shares		Accumulated deficit	Total shareholders' deficit
	Shares	Amount		
Net loss from inception (July 27, 2005) through December 11, 2005 of ID Rehab, LLC (predecessor company) and transfer of net assets from ID Rehab, LLC in Exchange for common stock on December 12, 2005 (Note 1)	10,000,000	\$ —	\$ (152,091)	\$ (152,091)
Common stock issued for cash	2,203,334	330,500	—	330,500
Net loss from December 12, 2005 through December 31, 2005	—	—	(126,000)	(126,000)
Balances, December 31, 2005	12,203,334	\$ 330,500	(278,091)	52,409
Common stock issued for cash	4,707,333	706,100	—	706,100
Deemed contribution for compensation expense of Company, satisfied by officer/shareholder	—	32,283	—	32,283
Common stock issued to related parties for services performed	786,666	118,000	—	118,000
Stock-based compensation expense	—	65,333	—	65,333
Net loss	—	—	(1,312,399)	(1,312,399)
Balances, December 31, 2006	17,697,333	1,252,216	(1,590,490)	(338,274)
Common stock issued upon conversion of convertible debt	1,705,344	255,800	—	255,800
Deemed contribution for compensation expense of Company, satisfied by officer/shareholder	—	96,850	—	96,850
Common stock issued for services	126,667	19,000	—	19,000
Stock-based compensation expense	—	17,292	—	17,292
Warrants issued in connection with convertible debentures	—	440,339	—	440,339
Common stock issued in satisfaction of accrued interest	383,064	107,259	—	107,259
Net loss	—	—	(3,120,374)	(3,120,374)
Balances, December 31, 2007	<u>19,912,408</u>	<u>\$ 2,188,756</u>	<u>\$ (4,710,864)</u>	<u>\$ (2,522,108)</u>

See notes to financial statements.

IDENTITY REHAB CORPORATION

STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	<u>Year ended December 31, 2007</u>	<u>Year ended December 31, 2006</u>	<u>Period from July 27, 2005 (inception) through December 31, 2005</u>
Cash flows from operating activities:			
Net loss	\$ (3,120,374)	\$ (1,312,399)	\$ (278,091)
Adjustment to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense	49,288	34,523	930
Amortization of debt offering costs and convertible debenture discount	232,182	—	—
Common stock issued in payment of interest	107,259	—	—
Stock-based compensation expense and stock issued for services	36,292	183,333	—
Compensation paid by officer/shareholder	96,850	32,283	—
Loss on sale of equipment	2,720	633	—
Changes in assets and liabilities:			
Increase in receivables	(5,254)	(2,829)	—
(Decrease) increase in prepaid expenses and other	(62,853)	300	(3,545)
Increase (decrease) in accounts payable	149,408	(7,157)	62,574
Increase in accrued liabilities	145,277	80,968	30,707
Net cash used in operating activities	<u>(2,369,205)</u>	<u>(990,345)</u>	<u>(187,425)</u>
Cash flows from investing activities:			
Capital expenditures	(169,232)	(105,360)	(33,559)
Proceeds from sale of equipment	17,744	1,054	—
Net cash used in investing activities	<u>(151,488)</u>	<u>(104,306)</u>	<u>(33,559)</u>
Cash flows from financing activities:			
Proceeds from convertible debentures and warrants	3,727,952	—	—
Repayment of capital lease obligation	(1,890)	—	—
Proceeds from issuance of convertible notes	402,484	244,105	35,238
Repayment of convertible notes	(426,027)	—	—
Debt offering costs	(550,469)	—	—
Proceeds from issuance of common stock	—	706,100	330,500
Net cash provided by financing activities	<u>3,152,050</u>	<u>950,205</u>	<u>365,738</u>
Net increase (decrease) in cash	631,357	(144,446)	144,754
Cash and cash equivalents, beginning of period	308	144,754	—
Cash and cash equivalents, end of period	\$ <u>631,665</u>	\$ <u>308</u>	\$ <u>144,754</u>
Supplemental disclosure of cash paid for interest	\$ <u>34,653</u>	\$ <u>732</u>	\$ <u>1,166</u>
Supplemental disclosure of non-cash investing and financing activities:			
Common stock issued upon conversion of debt	\$ <u>255,800</u>	\$ <u>—</u>	\$ <u>—</u>
Capital lease obligation incurred for new equipment	\$ <u>14,470</u>	\$ <u>—</u>	\$ <u>—</u>
Common stock issued in satisfaction of accrued interest	\$ <u>107,259</u>	\$ <u>—</u>	\$ <u>—</u>
Placement agent warrants recorded as debt offering costs	\$ <u>77,167</u>	\$ <u>—</u>	\$ <u>—</u>

See notes to financial statements.

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006,
AND PERIOD FROM JULY 27, 2005 (INCEPTION) THROUGH DECEMBER 31, 2005
(Expressed in U.S. Dollars)

1. Organization, basis of presentation, and liquidity, going concern and management's plans:

Organization:

ID Rehab, LLC ("LLC"), a Limited Liability Company, was formed on July 27, 2005. On December 12, 2005, the sole member of LLC formed Identity Rehab Corporation (the "Company"), a Colorado corporation, and effectively transferred the assets, net of certain liabilities (at historical carrying value) of LLC to the Company in exchange for 10,000,000 common shares of the Company. This transaction was accounted for as a merger of entities under common control in accordance with Appendix D of Statement of Financial Accounting Standards ("SFAS") No. 141, wherein the sole member of LLC retained 100% ownership before and after the merger. Accordingly, the transaction was accounted for at historical cost similar to accounting for pooling-of-interests. The merger's objective was to change the corporate structure in anticipation of an offering of equity securities. The accompanying financial statements include the operations of LLC from July 27, 2005 through December 12, 2005, and those of the Company subsequent to that date.

The Company provides a variety of services, primarily on a subscription basis, to consumers wanting identity theft detection and resolution services. Through July 2007, the Company was primarily involved in raising working capital, as well as identifying key constituencies and marketing strategies. In the third quarter of 2007, the Company began marketing its products and enhancing its internal systems. During the fourth quarter ended December 31, 2007, the Company transitioned from a development stage enterprise to an operating company. In October 2007, the Company increased its number of authorized common shares from 50 million to 100 million.

Liquidity:

The Company has incurred significant losses from operations: \$2,743,837, \$1,304,473 and \$276,925 in 2007, 2006, and from the period July 27, 2005 through December 31, 2005, respectively; and has funded its operations primarily through private placements of equity and loans and contributions from funding shareholders. The Company also has a limited operating history and has only recently had significant revenue-producing operations beginning in the fourth quarter of 2007. In 2007, the Company completed a private placement of approximately \$3.7 million of convertible debentures and warrants (Note 5). The net proceeds from this private placement were approximately \$2.9 million. During January 2008, the Company sold \$3.5 million of Series A, 12% convertible preferred stock and warrants to purchase three million shares of the Company's common stock (Note 8). The net proceeds from this private placement are to provide working capital for use principally in connection with the Company's growth plan programs during the next 12 months.

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2007 AND 2006,
AND PERIOD FROM JULY 27, 2005 (INCEPTION) THROUGH DECEMBER 31, 2005
(Expressed in U.S. Dollars)

2. Summary of significant accounting policies:

Use of estimates in the preparation of financial statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents:

Cash and cash equivalents are highly liquid investments that consist primarily of short-term money market instruments and overnight deposits with insignificant interest rate risk and original maturities of three months or less at the time of purchase. We utilize and invest with financial institutions that are sound and of high credit quality. Our investments are in low-risk instruments and we limit our credit exposure in any one institution or type of investment instrument based upon criteria including creditworthiness.

Furniture, equipment, leasehold improvements, depreciation and amortization:

Furniture, equipment and computer software is stated at cost and is depreciated using the straight-line method over the estimated useful lives of the assets ranging from three to five years.

Debt offering costs:

Debt offering costs are amortized to interest expense over the life of the related debt instrument using the straight-line method which approximates the effective interest method.

Intangible assets:

Intangible assets represent the costs of trademark applications now pending. If the trademarks are granted, the Company will then begin to amortize them over the shorter of the lives of the trademarks or the estimated useful lives using the straight-line method, subject to periodic evaluation for possible impairment.

Long-lived assets:

Management assesses the carrying values of long-lived assets for impairment when circumstances indicate that such amounts may not be recoverable from future operations. Generally, assets to be held and used are considered impaired if the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. At December 31, 2007 and 2006, management believes that no impairment exists.

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2007 AND 2006,
AND PERIOD FROM JULY 27, 2005 (INCEPTION) THROUGH DECEMBER 31, 2005
(Expressed in U.S. Dollars)

Convertible securities:

Convertible notes are accounted for in accordance with the provisions of Emerging Issues Task Force (“EITF”) Issue No. 98-5, Accounting for Convertible Securities with Beneficial Conversion Features (“EITF 98-5”) and EITF Issue No. 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments (“EITF 00-27”). Under these pronouncements, the Company, where applicable, records a beneficial conversion feature amortized as additional discount on debt and recorded as expense. The Company has also considered EITF No. 05-2, The Meaning of Conventional Convertible Debt Instrument and EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock, and related interpretations.

Fair value of financial instruments:

The fair value of the Company’s cash, accounts receivable, accounts payable, accrued liabilities and other current liabilities approximate their carrying amounts due to the short-term nature of these instruments. The Company’s 9% convertible debentures are carried at amortized cost which approximates fair value as discussed in Note 5.

Revenue recognition:

The Company recognizes revenue on identity theft detection and resolution services. The Company’s services are offered to consumers principally on a monthly subscription basis or to consumers as the service is delivered, such as the Company’s identity resolution product. Subscription fees are generally billed directly to the subscriber’s credit card or demand deposit accounts. At times, as a means of allowing customers to become familiar with the Company’s services, the Company offers free trial or guaranteed refund periods. No revenue is recognized until these applicable periods are completed.

The point in time at which the Company recognizes revenue from services is determined in accordance with Securities and Exchange Commission Staff Accounting Bulletin (“SAB”) No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB No. 104, *Revenue Recognition*. Consistent with the requirements of these SABs: a) persuasive evidence of arrangement exists, b) delivery has occurred once the product is transmitted, c) the seller’s price to the buyer is fixed, as sales are generally based on contract or list prices, and d) collectibility is reasonably assured, as individual customers pay by credit card which has limited the Company’s risk of non-collection. Revenue for monthly subscriptions is recognized in the month the subscription fee is earned.

Revenue for annual subscription fees is deferred if the subscriber has the right to cancel the service. Annual subscriptions include subscribers with full refund provisions at any time during the subscription period and pro-rata refund provisions. Revenue related to annual subscriptions with full refund provisions is recognized on the expiration of these refund provisions. Revenue related to annual subscribers with pro-rata provisions is recognized based on a pro-rata share of revenue earned. An allowance for monthly subscription refunds is established based on actual cancellation experience.

Website development costs:

The Company adopted Financial Accounting Standards Board (“FASB”) EITF No. 00-2, *Accounting for Web Site Development Costs*, which specifies the appropriate accounting for costs incurred in

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connection with the development and maintenance of web sites. Under EITF 00-2, costs related to certain web site development activities are expensed as incurred (such as planning and operating stage activities). Costs relating to certain website application and infrastructure development are generally capitalized, and are amortized over their estimated useful life. For the year ended December 31, 2007, no website development costs were capitalized and approximately \$65,900 of website development costs were expensed. For the year ended December 31, 2006 and the period from July 27, 2005 through December 31, 2005, website development costs of approximately \$1,900 and \$4,300, respectively, were capitalized and are included in furniture and equipment (Note 3).

Loss per share:

Basic loss per share of common stock is computed based on the weighted average number of common shares outstanding during the periods. Stock options, common shares issuable upon the conversion of debt securities and warrants (30,925,652 and 2,749,839 at December 31, 2007 and 2006, respectively) are not considered in the calculation, as the effect would be antidilutive. Therefore, diluted loss per share is equivalent to basic loss per share.

Research and development

The Company includes in research and development expense: payroll and other expense items directly attributable to research and development. The Company does not contract its research and development work, nor does it perform research and development work for others.

Advertising:

Advertising costs are expensed as incurred. For the years ended December 31, 2007 and 2006 and the period July 27, 2005 through December 31, 2005, advertising costs were approximately \$193,000, \$24,000, and \$7,000, respectively.

Stock based compensation:

Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), *Share-Based Payment* ("SFAS 123R"). SFAS 123R requires the recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements and is measured based on the grant date fair value of the award. SFAS 123R also requires the stock option compensation expense to be recognized over the period during which an employee is required to provide service in exchange for the award (generally the vesting period). The Company did not grant any options prior to 2006.

The Company estimated the fair value of each stock option at the grant date by using the Black-Scholes option pricing model with the following weighted average assumptions used for the grants during the year ending December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Expected term	5 years	5 years
Volatility	45%	45%
Risk-free interest rate	4.6% - 4.9%	5.25%
Dividend yield	0%	0%
Forfeitures	10%	10%

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The expected term of stock options represents the period of time that the stock options granted are expected to be outstanding. The expected volatility is based on historical volatilities of similar entities with publicly-traded securities. The risk-free interest rate represents the U.S. Treasury bill rate for the expected term of the related stock options. The dividend yield represents the Company's anticipated cash dividend over the expected term of the stock options. Forfeitures represent the weighted average estimate of future options to be cancelled, primarily due to employee terminations.

Income taxes:

The Company recognizes deferred tax assets and liabilities based on the differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that may result in taxable or deductible amounts in future years. The measurement of deferred tax assets may be reduced by a valuation allowance based upon management's assessment of available evidence if it is deemed more likely than not some or all of the deferred tax assets will not be realizable. Currently, a valuation allowance of 100% is provided for the deferred tax asset resulting from the Company's net operating loss carry forward in each of the reporting years.

The Company recognizes interest and penalties accrued on any uncertain tax positions as a component of income tax expense. The Company did not have any accrued interest or accrued penalties associated with any uncertain tax positions at December 31, 2007; nor were any income tax expenses recognized during the year ended 2007, associated with uncertain tax positions.

The LLC was not subject to income taxes. Instead, the sole member was taxed on the LLC's taxable income (loss). Therefore, these financial statements do not reflect a provision (benefit) for income taxes related to LLC operations from July 27, 2005 through December 12, 2005.

Recently adopted accounting pronouncements:

Effective January 1, 2007, the Company adopted FSAB Interpretation ("FIN") No. 48 "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"), which prescribes a comprehensive model for how the Company should recognize, measure, present and disclose in its financial statements uncertain tax positions taken or expected to be taken on a tax return. The Company has evaluated its tax positions and has determined that the adoption of FIN 48 did not have an impact on its financial statements.

Recently issued accounting pronouncements:

In March 2008, the FASB issued SFAS No. 161 "Disclosures about Derivative Instruments and Hedging Activities - an Amendment of FASB Statement No. 133" which requires enhanced disclosures on the effect of derivatives on a Company's financial statements. These disclosures will be required for the Company beginning with the first quarter fiscal 2009 financial statements.

In February 2008, the FASB issued FASB Staff Position No. SFAS 157-2 "Effective Date of FASB Statement No. 157", which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, the Company has only adopted the provisions of SFAS No. 157 with respect to its financial assets and

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liabilities that are measured at fair value within the financial statements as of December 31, 2007, and the provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities as the Company does not have any non-financial assets or liabilities to which the deferral applies.

In December 2007, the FASB issued SFAS No. 141 (revised 2007) "Business Combinations" ("SFAS No. 141R") which becomes effective for fiscal periods beginning after December 15, 2008 (fiscal 2009 for the Company). SFAS No. 141R requires all business combinations completed after the effective date to be accounted for by applying the acquisition method (previously referred to as the purchase method). Companies applying this method will have to identify the acquirer, determine the acquisition date and purchase price and recognize at their acquisition date fair values of the identifiable assets acquired, liabilities assumed, and any non-controlling interests in the acquiree. In the case of a bargain purchase the acquirer is required to reevaluate the measurements of the recognized assets and liabilities at the acquisition date and recognize a gain on that date if an excess remains. The adoption of SFAS No. 141R is not expected to have an impact on the Company's financial statements.

In December 2007, the FASB issued SFAS No. 160 "Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB 51" (SFAS No. 160"), which becomes effective for fiscal periods beginning after December 15, 2008 (fiscal 2009 for the Company). This statement amends Accounting Research Bulletin No. 51 to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. The statement requires ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity. The statement also requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest with disclosure on the face of the consolidated statement of income, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. In addition this statement establishes a single method of accounting for changes in a parent's ownership interest in a subsidiary that do not result in deconsolidation and requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. The adoption of SFAS No. 160 is not expected to have an impact on the Company's financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment to FASB Statement No. 115*. This statement permits companies to choose to measure many financial instruments and other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is expected to expand the use of fair value measurement of accounting for financial instruments, and the fair value option established by this statement permits all entities to measure eligible items at fair value at specified election dates. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Management is assessing the impact that the adoption of SFAS No. 159 may have on its financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurement*. This statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting

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principles, and expands disclosures about fair value measurements. This statement applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2008 for non-financial assets and liabilities, and is effective for fiscal years beginning after November 15, 2007 for financial assets and liabilities. Management is assessing the impact that the adoption of SFAS No. 157 may have on its financial statements.

3. Furniture and equipment:

Furniture and equipment consists of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Office equipment	\$ 236,419	\$ 115,351
Furniture and fixtures	42,079	10,915
Computer software	<u>6,200</u>	<u>6,200</u>
	284,698	132,466
Less accumulated depreciation and amortization	<u>72,269</u>	<u>33,987</u>
	<u>\$ 212,429</u>	<u>\$ 98,479</u>

Office equipment at December 31, 2007 and 2006 includes \$14,470 and \$0, respectively, of assets under a capital lease.

Depreciation and amortization of furniture, equipment and leasehold improvements for the years ended December 31, 2007 and 2006 and the period from July 27, 2005 through December 31, 2005 were \$49,288, \$34,523 and \$930, respectively, and have been included in general and administrative expense. These amounts include \$1,447, \$0 and \$0 of amortization applicable to assets under capital lease during the years ending December 31, 2007, 2006 and 2005, respectively.

4. Related party transactions:

Convertible notes payable:

Beginning in June 2006 and through June 2007, the Company received cash advances from Veracity Credit Consultants, an entity controlled by the majority shareholder of the Company ("VCC") in exchange for convertible notes due in December 2008. In June 2006, the Company received cash advances of \$57,000 from VCC under a 7% convertible note that allowed for maximum borrowings of up to \$250,000. In November 2006, the Company entered into a \$75,000, 9% convertible note with VCC. In January 2007, the Company entered into a \$100,000, 9% convertible note. In April 2007, the Company entered into a \$250,000, 9% convertible note.

These notes were convertible into shares of common stock at fixed conversion rates of \$0.15 per share on the 7% note and \$0.25 per share on the 9% notes, at the option of VCC. As the conversion prices were the same or higher than the estimated fair value of the Company's common stock on the dates of each issuance (management's estimate of the fair value of the common stock on the dates of issuance was \$0.15 per share), there were no beneficial conversion features.

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In June 2007, VCC converted approximately \$256,000 of the convertible notes to common stock of the Company and \$275,000 was repaid to VCC on these notes. In July 2007, the balance of the notes and interest owed to VCC were repaid.

Consulting services:

The Company incurred total consulting expense to related parties of \$346,082, \$314,164 and \$20,658 during the years ended December 31, 2007 and 2006 and the period July 27, 2005 through December 31, 2005, respectively.

During the year ended December 31, 2007, the Company incurred \$92,940 of consulting expense for services provided by three advisory board members of the Company, \$139,000 of consulting fees to the Company's president/shareholder and a company controlled by the chief executive officer of the Company. In addition, during the year ended December 31, 2007, the Company incurred stock compensation expense to officers and one advisory board member of \$114,142.

During the year ended December 31, 2006, the Company incurred \$176,331 of consulting expense for services provided by an officer, a former officer and a company controlled by the president of the Company. The consulting expense included the issuance of 700,000 shares of common stock valued at \$105,000 to a company controlled by the president and 33,333 shares of common stock valued at \$5,000 to an officer of the Company. In addition, during the year ended December 31, 2006, the Company incurred \$72,500 of consulting fees to three of advisory board members of the Company, including issuance of 33,333 shares of common stock valued at \$5,000. During 2006, the Company also incurred \$65,333 of stock-based compensation expense including \$63,000 relating to stock options awarded to three directors of the Company.

During the period July 25, 2005 through December 31, 2005, the Company incurred \$10,000 of consulting fees to one advisor, \$8,158 of consulting fees to a company controlled by the president and \$2,500 of consulting fees to an officer of the Company.

5. Convertible debentures and warrants:

In July 2007, the Company completed a private placement of two-year, 9% convertible debentures with detachable warrants to purchase up to 13,304,610 common shares of the Company with gross proceeds of \$3,725,291. The 9% convertible debentures may be converted into common shares of the Company on or prior to the maturity date (July 2009) at a conversion price of \$0.28 per common share at the election of the holder. In addition, the 9% convertible debentures shall be converted at a conversion price of \$0.28 per share on a date which is:

- (i) ninety days after the effective date of a registration statement registering the common shares,
- (ii) such common shares are quoted on the American Stock Exchange, the New York Stock Exchange, the NASDAQ Capital Market, the NADAQ Global Market, the NASDAQ Global Select Market or the OTC Bulletin Board, and
- (iii) the closing price for the Company's common stock exceeds one-hundred-twenty-five percent of the conversion price for thirty consecutive trading days and the average daily trading volume during the same period exceeds sixty-thousand shares per day.

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A company controlled by the Company's CEO, purchased \$350,000 of the convertible debentures.

Each of the detachable warrants entitles the holder to acquire one share of the Company's common stock for each \$0.28 of the face amount of the holder's convertible debenture. One-half of each warrant has an exercise price of \$0.35 per share and the other one-half has an exercise price of \$0.40 per share. The warrants may be exercised at any time until the fifth-year anniversary of their issuance (either June or July 2012, respective of the closing date). The warrants may be exercised on a cashless basis beginning one year after their issuance if the Company fails to have a current U.S. prospectus available for immediate resale of the conversion shares and the Company's common stock underlying the warrants. Provided an effective registration statement is in effect covering the Company's common stock underlying the warrants, all of the warrants will be callable by the Company at \$0.01 per share at any time after the closing price of the Company's common stock exceeds 250% of the conversion price (\$0.28 per share) for any 20 consecutive trading days and average daily volume during the same period exceeds 200,000 shares per day.

The convertible debentures will automatically convert into common stock upon the occurrence of all of the following events:

- (i) the passage of ninety days following the effective date of a registration statement registering for resale the shares issuable upon conversion of the convertible debentures,
- (ii) the shares of the Company's common stock have become listed or eligible for trading on a specified U.S. national securities exchange or the OTC Bulletin Board,
- (iii) the closing price for the Company's common stock on such market exceeds 125% of the conversion price for 30 consecutive trading days, and
- (iv) the average trading volume for the same period exceeds 60,000 shares per day.

The Company may be required to immediately redeem the debentures for an amount equal to 130% of the principal balance upon the occurrence of certain events, including a change in control of the Company, failure to comply with Securities and Exchange Commission (the "SEC") reporting requirements, after the Company becomes subject to such requirements, and de-listing of the Company's common stock, as defined.

The Company is obligated under the Convertible Debenture agreement which contains a registration rights agreement (the "Registration Rights Agreement") related to the 9% convertible debentures and warrants (the "Securities"). The Registration Rights Agreement requires, among other things, that a registration statement be filed on Form SB-2 or such other form as may be required or available covering the conversion shares and the shares of common stock underlying the warrants issued in the offering within 30 days of the closing of the offering on July 17, 2007 (the "Closing"). The Registration Rights Agreement also states that the Company will use its best efforts to have such registration statement declared effective by the SEC within 150 days of Closing and will cause an appropriate response to any comments on the form or content of the registration statement from the staff of the SEC to be submitted to the SEC within 30 days after receipt by the Company or its counsel of such comments. If the Company is unable to meet this obligation in accordance with the requirements contained in the Registration Rights Agreement, then the Company will be obligated to pay the holders of the Securities a liquidated damages payment equal to 1.5% of the stated value of their Convertible Debentures for each 30 day period following the applicable filing and registration

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deadlines until such filing or effectiveness is achieved or resumed. The Registration Rights Agreement also contains a provision which eliminates the payment of liquidated damages if the Company receives a comment from the SEC pertaining to Rule 415 under the Securities Act. The Company did receive such a comment from the SEC pertaining to Rule 415. The terms of the convertible debentures also prohibit the Company from paying dividends without the consent of the debenture holders.

Based on the Company's evaluation of the provisions of FSP EITF 00-19-2, *Accounting for Registration Payment Arrangements*, no accrual for liquidated damages was determined to be necessary at December 31, 2007.

The Company engaged a firm to assist the Company in completing the private placement of Securities. This firm was paid a success fee based on gross proceeds received; 5% on proceeds received from officers, directors and acquaintances of the Company, and 10% on proceeds received from all other investors, except for investors introduced to the investment firm by the Company, in which case the fee was 5%. The Company also agreed to pay the investment firm an expense allowance equal to 2% of aggregate gross offering proceeds and to reimburse the investment firm for certain costs incurred up to a maximum of \$15,000. The Company paid the firm \$456,279 in fees, allowances and reimbursable expenses in 2007. Total costs related to the issuance of the convertible debentures (\$627,754) were capitalized as debt offering costs on the balance sheet and are charged to interest expense using the straight-line method which approximates the effective interest method over the life of the convertible debentures. The Company recognized \$91,356, \$0 and \$0 of debt offering cost amortization, which is include in interest expense during the years ended 2007, 2006, and 2005, respectively. In addition, the placement agent is entitled to a five-year warrant to purchase up to 2,660,918 shares of common stock; one-half of which are exercisable at \$0.35 per share and one-half of which are exercisable at \$0.40 per share. Total warrants outstanding at December 31, 2007, are 15,965,528.

The detachable warrants and placement agent warrants have been valued separately at fair value using the Black-Scholes methodology. The fair value calculations assume a risk-free interest rate of approximately 4.9%, volatility of approximately 45% and no dividends. At December 31, 2007, the convertible debentures are reflected in the financial statements at a discounted value of \$3,456,136, net of the unamortized value assigned to the warrants of \$269,155. The value assigned to the detachable warrants and placement agent warrants, \$363,172 and \$77,167, respectively, is included in common stock on the Company's balance sheets. The convertible debentures were determined not to have a beneficial conversion feature because the conversion price was greater than the estimated fair value of the common stock at the time of issuance. The debt discount attributed to the detachable warrants and the debt offering costs attributable to the placement agent warrants are amortized to interest expense over the term (two years) of the convertible debentures.

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6. Commitments:

Operating leases:

The Company leases office facilities and equipment under non-cancelable operating leases expiring in 2010. Future minimum lease payments are as follows:

	<u>Amount</u>
2008	\$ 130,614
2009	137,327
2010	<u>37,759</u>
Total	<u>\$ 305,700</u>

Rent expense for the years ended December 31, 2007 and 2006 and the period July 27, 2005 through December 31, 2005 was approximately \$67,200, \$45,700 and \$5,490 respectively.

Capital lease:

The Company began leasing telephone equipment under a five-year capital lease terminating in 2012. Monthly payments of \$290 began in June 2007. The Company recorded \$14,470 of equipment related to the capital lease (the present value of the minimum lease payments). Future minimum lease payments are approximately \$3,500 in years 2008 through 2011 and \$1,400 in 2012. The total amount representing interest is approximately \$3,500 (an effective interest rate of 9.3%).

7. Income taxes:

Our total provision for income taxes in 2007, 2006 and 2005 were different from the amount expected by applying the statutory federal income tax rate to our net loss as reported in our statement of operations. The approximate differences are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Tax benefit computed at statutory rate	\$(1,091,400)	\$ (459,300)	\$ (25,600)
State income tax	(93,900)	(39,500)	(2,200)
Effect of permanent differences	39,400	800	—
Increase in valuation allowance	<u>1,145,900</u>	<u>498,000</u>	<u>27,800</u>
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

Deferred tax assets consisted of the following at December 31,

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Deferred non-current tax assets:			
Net operating loss carryforwards	\$ 1,672,000	\$ 526,000	\$ 28,000
Stock-based compensation	26,000	24,000	—
Valuation allowance	<u>(1,698,000)</u>	<u>(550,000)</u>	<u>(28,000)</u>
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2007, the Company has net operating loss carryforwards of approximately \$4,390,000 which begin to expire in 2025. As the Company is unable to determine that it is more

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likely than not that future taxable income of the Company will be sufficient to utilize the net operating loss carryforwards, a valuation allowance has been established against those assets.

The Company adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement 109* ("FIN 48") on January 1, 2007. The Company did not have any other unrecognized tax benefits and there was no effect on the Company's financial condition or results of operations as a result of implementing FIN 48.

The Company files income tax returns in the U.S. federal jurisdiction and the State of Colorado. The Company is subject to U.S. federal and state examinations for 2005 through 2007. Management does not believe there will be any material changes in its uncertain tax positions over the next twelve months. The Company recognizes interest and penalties accrued on any uncertain tax position as a component of income tax expense. As of the date of adoption of FIN 48, the Company did not have any accrued interest or a penalty associated with any uncertain tax positions, nor was any interest expense recognized during the period.

8. Shareholders' deficit:

Stock options:

In December 2005, the Company adopted the Identity Rehab Corporation Stock Option Plan (the "Plan") covering up to 5 million shares of the Company's common stock. The exercise prices of the options granted are determined by the Plan committee, which members are appointed by the Board of Directors, and are generally established at the estimated fair value of the Company's common stock at the date of grant. Options are granted with terms not to exceed five years. In 2007, the Company granted five-year options to purchase 650,000 shares of common stock at \$0.28 per share to employees of the Company and 200,000 shares of common stock at \$0.28 per share to two consultants to the Company. The options granted to the employees of the Company vest over a three year period, of which 94,444 of these options were forfeited in 2007 and options granted to the consultants vest over a 6 to 12 month period, of which 100,000 of these options were cancelled in 2007. In 2006, the Company granted five-year options to purchase 1,150,000 shares of common stock at \$0.15 per share to employees of the Company. Options to purchase 1,000,000 shares vested immediately, of which 100,000 of these options were cancelled in 2006, and options to purchase 150,000 shares vested over a three-year period, of which 50,000 of these options were cancelled in 2006.

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	Number of shares under option	Weighted - average exercise price
	<u> </u>	<u> </u>
Outstanding as of January 1, 2006	—	\$ —
Granted	1,150,000	0.15
Exercised	—	—
Forfeited	—	—
Cancelled	(150,000)	0.15
	<u>1,000,000</u>	<u>\$ 0.15</u>
Outstanding as of December 31, 2006	<u>1,000,000</u>	<u>\$ 0.15</u>
Exercisable at December 31, 2006	<u>930,556</u>	<u>\$ 0.15</u>
Weighted average grant date fair value of options granted during 2006		<u>\$ 0.07</u>
	<u> </u>	<u> </u>
	Number of shares under option	Weighted - average exercise price
	<u> </u>	<u> </u>
Outstanding as of January 1, 2007	1,000,000	\$ 0.15
Granted	850,000	0.28
Exercised	—	—
Forfeited	(94,444)	0.22
Cancelled	(100,000)	0.28
	<u>1,655,556</u>	<u>\$ 0.20</u>
Outstanding as of December 31, 2007	<u>1,655,556</u>	<u>\$ 0.20</u>
Exercisable at December 31, 2007	<u>1,030,556</u>	<u>\$ 0.16</u>
Weighted average grant date fair value of options granted during 2007		<u>\$ 0.09</u>

The weighted average remaining contractual life of options outstanding at December 31, 2007 and 2006 is 3.86 and 4.39 years, respectively, and options to purchase 625,000 shares and 69,444 shares, remain non-vested at December 31, 2007 and 2006, respectively. The weighted average remaining contractual life of exercisable options outstanding at December 31, 2007 and 2006 is 3.48 and 4.41 years, respectively. The Company recognized \$17,292 and \$65,333 of share-based compensation expense during the years ending December 31, 2007 and 2006, respectively, applicable to the vesting of stock options and included this expense in general and administrative expense: consulting, related party, in its statement of operations. The Company has approximately \$50,000 and \$4,700 at December 31, 2007 and 2006, respectively, of unrecognized compensation cost related to these non-vested options. The weighted-average remaining term of the unrecognized compensation cost is 2.29 years at December 31, 2007. The Company issues new shares for options exercised.

Subsequent to December 31, 2007, the Company granted additional employee options to purchase 75,000 shares of common stock at \$0.35 per share, which vest over a three-year period. These options were valued at approximately \$11,250. Other transactions:

During the year ended December 31, 2007, the chief executive officer/shareholder of the Company agreed to transfer 500,000 shares of common stock owned by him to another former employee of the Company in satisfaction of employee termination benefits and 150,000 shares of common stock owned by him to the Company's chief financial officer in accordance with an employment agreement.

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(Expressed in U.S. Dollars)

This was done by the chief executive officer/shareholder on behalf of the Company, and the compensation expense was approximately \$96,850 based on the value of the common shares at the date of the transaction.

During 2006, the president/shareholder of the Company transferred 216,667 shares of common stock owned by him to two former employees in satisfaction of employee termination benefits. The Company recorded expense of \$32,283 (which was based on the estimated fair value of the shares of \$0.15 per share at the respective dates of the transactions) and an offsetting capital contribution.

9. Subsequent events:

During January 2008, the Company sold 1,750,000 shares of Series A 12%, Convertible Preferred Stock and warrants to purchase 3,000,000 shares of the Company's common stock for \$3.5 million. The Series A 12% Convertible Preferred Stock is convertible into the next financing of common or preferred shares undertaken by the Company or convertible at \$0.28 per share of common stock (subject to certain adjustments) if after December 31, 2008 the Company has not completed a subsequent financing offering.

On May 29, 2008, the Company sold 418,500 shares of Series B Convertible Preferred Stock ("Series B Preferred") and five-year warrants to purchase 358,236 shares of the Company's common stock for gross proceeds of \$837,000. The warrants have an exercise price of \$0.60 per share. The rights, privileges and limitations of the Series B Preferred shares are identical to the rights, privileges and limitations of the Series A Preferred shares with the following exceptions: the series B Preferred stock voting rights do not become effective until after December 31, 2008.

On June 4, 2008, the Company received notice from the New York City Department of Consumer Affairs (the "DCA") alleging violations of the New York City Consumer Protection Law and Rules. The notice alleges the Company used its advertisements in print media, television, the internet and other media to deceive or mislead consumers.

The Company's legal counsel has been in communications with the DCA in an effort to resolve the claims and the Company has taken action to remove its advertisements and suspend sales in New York while this matter is pending. The Company is continuing to service its existing New York customers, without charge, while these claims are pending or until the Company believes it has resolved the claims. At this time, the Company is not able to estimate the results or effects of this action by the DCA on the operations of the Company.

Pursuant an Agreement and Plan of Merger dated as of June 24, 2008 among Identity Rehab Corporation, ID Watchdog, Inc.(then a wholly-owned subsidiary of Identity Rehab Corporation) and Mergeco, Inc. (then a wholly-owned subsidiary of the ID Watchdog, Inc.), Mergeco, Inc. merged into Identity Rehab Corporation, and Identity Rehab Corporation became a wholly-owned subsidiary of ID Watchdog, Inc. (the "Reorganization"). ID Watchdog, Inc. is a limited liability exempted company incorporated on May 13, 2008 under the laws of the Cayman Islands. Upon the completion of the Reorganization on June 25, 2008, former shareholders of Identity Rehab Corporation exchanged their securities of Identity Rehab Corporation for equivalent securities of ID Watchdog, Inc. on a one-for-one basis. Convertible Debentures of Identity Rehab Corporation will remain the

IDENTITY REHAB CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
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obligation of Identity Rehab Corporation but will be convertible into Ordinary Shares of ID Watchdog, Inc.

On July 4, 2008, the Company filed a preliminary prospectus dated June 30, 2008 with the British Columbia, Alberta and Ontario Securities Commissions in connection with its initial public offering of 17,000,000 units (“Units”) at the price of CDN\$0.60 per Unit for gross proceeds of CDN\$10,200,000 (the “Offering”). Each Unit will consist of one ordinary share of the Company and one-half of one ordinary share purchase warrant, with each whole warrant entitling the holder thereof to purchase one additional ordinary share of the Company at the price of CDN\$0.90 for a period of 24 months from the date that the ordinary shares are posted and listed for trading on the TSX Venture Exchange (the “Listing Date”). Bolder Investment Partners, Ltd. (“Bolder”) and Green Drake, Inc. (together, the “Agents”) will assist the Company in selling the Units under the Offering pursuant to an agency agreement to be executed on or prior to the filing of the Company’s final prospectus for the Offering. On completion of the Offering, the Company will pay the Agents a cash commission equal to 8% of the gross proceeds of the Offering and issue to the Agents agents’ warrants equal to 8% of the total number of Units sold under the Offering, each such agents’ warrant entitling the holder to purchase one ordinary share of the Company at the price of CDN\$0.60 for a period of 24 months from the Listing Date. The Company will also issue to Bolder 50,000 Units and pay to Bolder a corporate finance fee of CDN\$150,000 on the closing of the Offering. The Company has applied for a listing of its ordinary shares on the TSX Venture Exchange.

Concurrent with the completion of the Offering, 1,750,000 outstanding Series A Convertible Preferred shares and 497,500 outstanding Series B Convertible Preferred shares of the Company will be automatically converted into units of the Company, each unit comprised of one ordinary share of the Company and one-half of one share purchase warrant of the Company, each such warrant having the same terms as the warrants issuable under the Offering. The total number of units issuable upon such automatic conversion shall be determined by dividing (i) the aggregate issue price of the Series A Convertible Preferred shares and the Series B Convertible Preferred shares based on U.S.\$2.00 per share (plus accrued but unpaid 12% cumulative dividends thereon) by (ii) the conversion price of CDN\$0.48 per ordinary share (being 0.8 times the price per Unit under the Offering).

10. Benefit Plans

During 2006, the Company established a 401(k) plan which provides retirement savings options for all eligible employees. The Company makes a matching contribution based on the participants’ eligible wages. During the year ending December 31, 2007, the Company made matching contributions of \$3,112.

11. Generally Accepted Accounting Principles in Canada

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). There are no differences between U.S. GAAP and Canadian generally accepted accounting principles that would have a material effect on the Company’s financial statements.

CERTIFICATE OF THE COMPANY

DATED: August 14, 2008

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta and Ontario.

“Daryl F. Yurek”

DARYL F. YUREK
Chief Executive Officer

“Dennis R. Perkins”

DENNIS R. PERKINS
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

“K. Dieter Heidrich”

K. DIETER HEIDRICH
Director

“Keith G. Rickard”

KEITH G. RICKARD
Director

CERTIFICATE OF THE PROMOTER

DATED: August 14, 2008

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta and Ontario.

“Daryl F. Yurek”

DARYL F. YUREK

CERTIFICATE OF THE AGENT

DATED: August 14, 2008

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of the provinces of British Columbia, Alberta and Ontario.

BOLDER INVESTMENT PARTNERS, LTD.

“Paul J.C. Woodward”

PAUL J.C. WOODWARD
Vice President, Corporate Finance