

ID Watchdog, Inc.
Management's Discussion and Analysis
For the Year Ended December 31, 2015

Introduction

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of ID Watchdog, Inc.'s (the "Company's" or the "Company") consolidated results of operations and financial position. This "Management's Discussion and Analysis" ("MD&A") should be read in conjunction with the audited annual consolidated financial statements of the Company for year ended December 31, 2015 and the notes thereto. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in U.S. dollars as all of the Company's revenues and expenses are recorded in U.S. dollars. Additional information on the Company, including the Company's audited financial statements for the year ended December 31, 2015, can be accessed from SEDAR at www.sedar.com as well as from the Company's website at www.idwatchdog.com in the "Company Overview" section. Information contained in this report is qualified by reference to the discussion concerning forward-looking information and statements beginning on page 23 of this MD&A.

International Financial Reporting Standards ("IFRS")

The Company's audited consolidated financial statements and the financial information included in this MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Except as otherwise noted, this MD&A is presented in U.S. dollars, which is the Company's functional currency.

Definitions Relative to Understanding our Results

Earnings before net interest expense, income taxes, and depreciation and amortization expense ("EBITDA").

Earnings before net interest expense, income taxes, depreciation and amortization, share-based compensation, litigation provision, gain on disposition of assets and gain (loss) on warrant liability ("adjusted EBITDA").

We report on our adjusted EBITDA and use this metric to measure the performance of our business. Adjusted EBITDA is not a performance measure defined under IFRS and is not considered an alternative to income (loss) from operations or net earnings (loss) in the context of measuring the Company's performance. Adjusted EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies. Adjusted EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, income taxes, interest payments, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed on pages 10, 11, 12 and 13 of this MD&A.

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Background and Description of Business

Through the distribution channels described below in the section, "Marketing of Services", the Company delivers a variety of identity theft detection, protection and resolution services primarily to individuals and families on a subscription basis, through its wholly owned subsidiary, Identity Rehab Corporation, which was founded in 2005.

Identity theft occurs when someone fraudulently uses personal identifying information (e.g. name, birth date, social security number, credit card number) to obtain goods or services under the identity theft victim's name. Identity theft is one of the fastest growing crimes in the United States.

We have developed comprehensive solutions that incorporate elements from six distinct categories designed to work together to detect, diagnose, and resolve consumer identity theft and other related consumer data issues as follows:

- **Identity Monitoring:** ID Watchdog's identity monitoring service will scan public and private consumer databases generating client alerts of suspicious activity associated with name, address, phone number, date of birth, and social security number.
- **Cyber Monitoring:** Our service will scan known malicious chat rooms, blogs, and underground websites for client name, credit card information, and social security number that can be bought and sold for fraudulent usage.
- **Non-Credit Loan Monitoring:** This service will monitor data feeds from non-credit loan outlets which may provide applicants a loan of up to \$1,000 while requiring only an address and proof of employment.
- **Credit Reports and Credit Scores:** We provide online access to credit reports and credit scores from Experian, TransUnion and Equifax to check the validity and accuracy of client account information.
- **Credit Monitoring:** We monitor daily for changes to the customer's credit reports from Experian, Equifax, and TransUnion. There are twenty-six different alert types that can detect potential fraudulent activity.
- **Resolution Services:** In cases where identity theft is detected, our resolution service will find it, stop it, and fix it before any further significant damage occurs. Identity theft cases are assigned to a dedicated in-house staff of identity theft resolution experts.

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Marketing of Services

We have utilized various distribution channels to assist us in selling our identity theft protection services to potential customers. Our primary distribution channels are as follows:

- **Employee Benefit Channel:** We acquire these customers through relationships with benefit brokers and other entities ("Benefit Broker or Benefit Brokers") who focus on designing and negotiating customized employee benefit programs for their employer clients. In this channel, the Benefit Brokers promote our services to their employer clients who then offer our services as a voluntary benefit to their employees (the "Employee Benefit Channel"). We continue to expand this sales channel and ultimately our customer base by significantly expanding the number of Benefit Broker relationships and the depth and breadth of our relationships within these Benefit Brokers. We are focusing substantially all of our efforts on further development and expansion of the Employee Benefit Channel and anticipate that this channel will generate virtually all of our revenue growth in the foreseeable future.
- **Tech Support Channel:** In this channel, we utilized third-party entities who provide personal computer performance enhancement services (the "Sales Affiliates"), to sell our services as an add-on product offering directly to their customers (the "Tech Support Channel"). In conjunction with the Sales Affiliates, we also utilize a third-party vendor (the "Billing Vendor") to bill, process and collect payments from the customers who are sold their subscriptions to our services by the Sales Affiliates. The Billing Vendor receives a per transaction processing fee for providing their services. In addition, the Billing Vendor pays the Sales Affiliates a fee for each sale, as agreed upon by the Company and the Sales Affiliate, and remits the balance of the revenue to the Company.

The Company is not planning to engage any Sales Affiliates for this channel in the future and we do not expect add any new customer subscriptions in this channel for the foreseeable future, however, we do expect some of these existing customers to renew their current subscriptions upon expiration.

- **Consumer Marketing and Other Channels:** In the past, the Company utilized direct consumer advertising, telemarketing and online affiliate marketing programs to sell its services (the "Consumer Marketing Channel"). While the Company no longer utilizes these strategies to sell its services, a significant number of customers that were sold their subscriptions through the Consumer Marketing Channel have renewed their service subscriptions and remain as customers from this channel.

Also included in this category are customers, which we acquired as part of a purchase of certain assets from a third-party identity theft protection company in May 2013 (the "Purchased Customers"), and customers the Company has acquired by partnering with anti-virus and other desktop software providers who provide our identity theft protection services as an add-on product offering to their end user customers.

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Balance Sheet Data

	As of December 31,		
	2015	2014	2013
Cash and cash equivalents	\$ 1,069,289	\$ 886,476	\$ 552,694
Total assets.....	1,722,635	1,281,056	932,265
Total long term liabilities.....	5,404,919	4,876,529	4,813,103
Total liabilities	7,402,252	6,378,402	5,987,670
Total shareholders' deficit.....	(5,679,617)	(5,097,346)	(5,055,405)

Results of Operations

The financial information set out below is based on and derived from our consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013.

	Year Ended December 31,		
	2015	2014	2013
Revenue.....	\$ 5,367,555	\$ 3,469,468	\$ 2,358,275
Cost of revenue	1,496,565	989,036	888,293
Gross profit.....	3,870,990	2,480,432	1,469,982
Operating expense	3,331,537	2,213,274	2,245,450
Operating income (loss).....	539,453	267,158	(775,468)
Adjusted EBITDA.....	644,508	463,755	(313,689)
Net loss and comprehensive loss applicable to ordinary shares	\$ (713,366)	\$ (179,062)	\$ (2,274,353)
Basic and diluted net loss per share	\$ (0.01)	\$ (0.00)	\$ (0.02)

Certain expenses in 2013 have been reclassified from operating expense to cost of revenue to conform to the current year's presentation.

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The financial information set out below are derived from our quarterly consolidated statements of operations and have been prepared by management in accordance with IFRS, except for EBITDA and adjusted EBITDA (see Definitions Relative to Understanding our Results on page 1 of this MD&A).

Summary of Quarterly Results (Unaudited)

	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>June 30, 2015</u>	<u>March 31, 2015</u>
Revenue	\$ 1,424,021	\$ 1,377,583	\$ 1,296,265	\$ 1,269,686
Cost of revenue.....	442,335	377,296	329,285	347,649
Gross profit.....	981,686	1,000,287	966,980	922,037
Operating expense:				
General and administrative.....	375,947	333,187	377,673	331,226
Benefit broker commission.....	257,042	236,184	220,954	215,904
Sales and marketing.....	236,768	219,766	209,212	212,619
Share-based compensation.....	20,383	13,054	11,066	14,293
Depreciation and amortization....	13,042	12,049	10,956	10,212
	<u>903,182</u>	<u>814,240</u>	<u>829,861</u>	<u>784,254</u>
Operating income	78,504	186,047	137,119	137,783
Other income (expense).....	(623,407)	(296,197)	(300,368)	(32,847)
Net income (loss) and comprehensive income (loss) applicable to ordinary shares....	<u>\$ (544,903)</u>	<u>\$ (110,150)</u>	<u>\$ (163,249)</u>	<u>\$ 104,936</u>
Basic and diluted net income (loss) per share	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>

* Per share income (loss) is less than \$0.01 and \$(0.01), respectively.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

Net income (loss).....	\$ (544,903)	\$ (110,150)	\$ (163,249)	\$ 104,936
Depreciation and amortization expense.....	13,042	12,049	10,956	10,212
Interest expense, net.....	<u>202,516</u>	<u>202,495</u>	<u>300,368</u>	<u>232,506</u>
EBITDA.....	(329,345)	104,394	148,075	347,654
Loss (gain) on warrant liability.....	184,348	(66,298)	—	(199,659)
Litigation provision.....	237,543	160,000	—	—
Share-based compensation expense.....	20,383	13,054	11,066	14,293
Gain on disposition of assets.....	<u>(1,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Adjusted EBITDA.....	<u>\$ 111,929</u>	<u>\$ 211,150</u>	<u>\$ 159,141</u>	<u>\$ 162,288</u>

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Summary of Quarterly Results (Unaudited)

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Revenue	\$ 948,836	\$ 887,685	\$ 842,320	\$ 790,627
Cost of revenue.....	254,706	231,938	253,562	248,830
Gross profit.....	694,130	655,747	588,758	541,797
Operating expense:				
General and administrative.....	268,340	356,122	300,236	340,857
Benefit broker commission.....	89,325	75,004	70,551	69,479
Sales and marketing	149,859	121,302	102,884	72,718
Share-based compensation.....	18,154	24,029	35,159	59,779
Depreciation and amortization....	11,513	14,597	15,136	18,230
	<u>537,191</u>	<u>591,054</u>	<u>523,966</u>	<u>561,063</u>
Operating income (loss).....	156,939	64,693	64,792	(19,266)
Other income (expense).....	233,467	(289,884)	(373,005)	(16,798)
Net income (loss) and comprehensive income (loss) applicable to ordinary shares.....	<u>\$ 390,406</u>	<u>\$ (225,191)</u>	<u>\$ (308,213)</u>	<u>\$ (36,064)</u>
Basic and diluted net income (loss) per share	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>

* Per share income (loss) is less than \$0.01 and \$(0.01), respectively.

Reconciliation of Net Income (Loss) to Adjusted EBITDA

Net income (loss).....	\$ 390,406	\$ (225,191)	\$ (308,213)	\$ (36,064)
Depreciation and amortization expense.....	11,513	14,597	15,136	18,230
Interest expense, net.....	<u>205,782</u>	<u>210,021</u>	<u>213,278</u>	<u>216,456</u>
EBITDA.....	607,701	(573)	(79,799)	198,622
Loss (gain) on warrant liability.....	(439,249)	79,863	159,727	(199,658)
Share-based compensation expense.....	<u>18,154</u>	<u>24,029</u>	<u>35,159</u>	<u>59,779</u>
Adjusted EBITDA.....	<u>\$ 186,606</u>	<u>\$ 103,319</u>	<u>\$ 115,087</u>	<u>\$ 58,743</u>

Revenues have increased consistently from quarter to quarter due to increased revenue from our Employee Benefit and Tech Support Channels.

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General and administrative expense has fluctuated from quarter to quarter generally due to changes in professional services and travel related expenses. Also, general and administrative expense has increased in the first quarter of each year as we incur substantially all of our annual independent audit fees in the first quarter.

Benefit Broker commission expense has increased consistently from quarter to quarter as it is driven by increases in our Employee Benefit Channel revenue.

Sales and marketing expense has fluctuated from quarter to quarter generally due to the level of marketing activities during the particular quarter and from travel related expenses.

Adjusted EBITDA and operating income (loss) have generally improved quarter to quarter as we have benefited from increasing revenues, improving gross margins and operating leverage.

Our net income (loss) has changed significantly from quarter to quarter primary due to the recognition of gain (loss) on warrant liabilities and from declining operating losses or increasing operating income.

Results of Operations

Comparison of the year ended December 31, 2015 to the year ended December 31, 2014

Revenues

Total revenue increased \$1,898,087, or 54.7%, from \$3,469,468 for the year ended December 31, 2014 to \$5,367,555 for the year ended December 31, 2015.

Revenue from our Employee Benefits Channel increased \$2,243,931, or 137.2%, from \$1,635,090 for the year ended December 31, 2014 to \$3,879,021 for the year ended December 31, 2015. The increase in our Employee Benefit Channel revenue from 2014 to 2015 was the result of a 148.5% increase in the monthly average number of customers subscribing to our services, which was partially offset by a 4.5% decrease in the average monthly revenue generated per customer. This increase in customers in this channel is the result of our continuing efforts to expand our network of Benefit Brokers who promote our services to their employer clients and to increase the number of employer clients represented by these Benefit Brokers.

Revenue from our Tech Support Channel decreased \$145,451, or 16.5%, from 879,139 for the year ended December 31, 2014 to \$733,688 for the year ended December 31, 2015. The decrease in our Tech Support Channel revenue from 2014 to 2015 was the result of a decrease in the monthly average number of customers subscribing to our services, which were partially offset by an increase in the monthly average revenue per customer.

On November 21, 2014 (the "Termination Date"), we terminated our sales and revenue sharing arrangement with our principal Sales Affiliate and as a result, we do not expect any new customer subscription activity in this channel for the foreseeable future as we are not adding any new customers in this channel and a significant number of our existing customers don't renew their subscriptions upon expiration. As a result, we anticipate that the monthly average

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number of customers subscribing to our services will decrease significantly going forward. Also, for customers who have renewed their service subscriptions with us subsequent to the Termination Date, we are no longer subject to the revenue share with the principal Sales Affiliate, which served to increase our monthly average revenue per customer in 2015 as compared to 2014 (see Provision on page 19 of this MD&A).

We anticipate the number of customers will likely continue to decline in 2016, resulting in a 45% to 55% decrease in Tech Support Channel revenue in 2016 as compared to 2015.

Revenue from our Consumer Marketing and Other Channels, which includes revenue for our consumer marketing customers, customers we acquired in May 2013 from a third party and our anti-virus partner customers, decreased \$200,393, or 21.0%, from \$955,239 for the year ended December 31, 2014 to \$754,846 for the year ended December 31, 2015. This decrease was due primarily to an \$117,155 decrease in the revenue recognized from the acquired customers.

Cost of Revenue

Cost of revenue consists primarily of the following:

- Fees paid to data providers;
- Personnel related expenses in support of customer identity monitoring and identity theft resolution; and
- Other service related expenses.

Cost of revenue for the year ended December 31, 2015 was \$1,496,565, resulting in a gross profit of \$3,870,990, while our cost of revenue for the year ended December 31, 2014, was \$989,036, resulting in a gross profit of \$2,480,432. Gross margin for the year ended December 31, 2015 was 72.1% as compared to a gross margin of 71.5% for the year ended December 31, 2014.

Cost of revenue increased by \$507,529 in 2015 as compared to 2014 primarily the result of a \$243,598 increase in personnel related expenses, a \$163,580 increase in data services expenses and a \$100,351 in customer communications related expenses and other costs of revenue.

Personnel related expenses increased as a result of increased staffing levels in order to provide 24 hour/7 days per week customer support and to service a growing customer base. These expenses represented 8.3% and 5.9% of revenue for the years ended December 31, 2015 and 2014, respectively.

While our data costs increased as a result of a significant increase in the number of customers, our data costs as a percent of revenue decreased to 13.8% for the year ended December 31, 2015 from 16.6% in the prior year period as a result of improved data management techniques in 2015 as compared to 2014.

Customer communications related expenses and various other costs of revenue increased primarily as a result of increased customer communication activities resulting from both a growing customer base as well as increased levels of communication. These expenses represented 5.8% and 6.0% of revenue for the years ended December 31, 2015 and 2014.

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General and Administrative Expense

General and administrative expense consists primarily of the following:

- All salaries and related benefits (excluding marketing salaries, related benefits and share – based compensation);
- Professional services expenses including legal fees, accounting fees and other professional services; and
- Office rent and other office related costs.

General and administrative expense increased \$152,478, or 12.0%, from \$1,265,555 during the year ended December 31, 2014 to \$1,418,033 during the similar period in 2015. This increase is primarily the result of a \$166,508 increase in personnel related expenses and a \$26,912 increase in insurance expense, which were partially offset by the following:

- A \$37,381 decrease in software licensing fees; and
- A \$32,563 decrease in travel and entertainment expenses.

Over the short term, general and administrative expense should remain relatively constant quarter to quarter with meaningful fluctuations driven primarily from professional services related activities. Over the longer term, general and administrative expense should increase modestly as our revenues increase, but decrease as a percentage of total revenue.

Benefit Broker Commission Expense

Benefit Broker commission expense are the commissions we pay to the various Benefit Brokers who promote our services to their employer clients. For these services, we pay the Benefit Brokers a commission based on a percentage of the revenues they generate.

Benefits Broker commission expense increased by \$625,725, or 205.6%, from \$304,359 for the year ended December 31, 2014 to \$930,084 for the year ended December 31, 2015.

Benefit Broker commission expense as a percent of Employee Benefit Channel revenue increased from 18.6% for the year ended December 31, 2014 to 24.0% for the year ended December 31, 2015, because a significant portion of our Employee Benefit Channel revenue growth during 2015 was generated by Benefit Brokers who earned higher commission rates.

Sales and Marketing Expense

Sales and marketing expense consists primarily of the following:

- Salaries, commissions and benefits of sales and marketing personnel;
- Trade show and promotional materials;
- Travel and entertainment expenses; and
- Other marketing expenses.

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Sales and marketing expense for the year ended December 31, 2015 totalled \$878,365 as compared to \$446,763 for the similar period in 2014, an increase of \$431,602, or 96.6%. The significant items contributing to this increase are as follows:

- A \$177,102 increase in personnel related expenses due to the hiring of additional personnel and increased sales commission expense;
- A \$159,497 increase in trade show and other promotional expenses; and
- A \$93,708 increase in travel and entertainment expenses.

Adjusted EBITDA

For the year ended December 31, 2015, adjusted EBITDA improved by \$180,753 to \$644,508 as compared with \$463,755 for 2014. The improvement in adjusted EBITDA is due to a \$1,390,558 improvement in gross margin as described above, which was partially offset by a net increase in general and administrative, Benefit Broker commission expense and sales and marketing and expenses.

Share-based Compensation

The Company follows IFRS 2 "Stock-based compensation and other stock-based payments", which established standards for the recognition, measurement and disclosure of share-based compensation. The Company accounts for share-based payments as equity settled transactions where the fair value of options granted is charged to expense over the option vesting period, with the offsetting amount recognized in contributed surplus. For awards with graded vesting, each tranche of an award is considered a separate grant with a different vesting date and fair value. The fair value of each tranche is recognized over its respective vesting period. The fair value of each tranche is estimated at the date of grant using the Black-Scholes option pricing model incorporating assumptions regarding risk-free interest rates, dividend yield, expected volatility of the Company's ordinary shares, and a weighted average expected life of options. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. For each reporting period, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in the consolidated statements of operations with a corresponding adjustment to share capital.

Share compensation expense will vary from year to year based on the number and timing of stock option grants, the fair value of the stock options granted and the vesting terms of the stock option grants, among other factors.

Share-based compensation expense for the year ended December 31, 2015 totaled \$58,796 as compared to \$137,121 for 2014, a decrease of \$78,325, or 57.1%. This decrease was primarily the result of a fewer number of options granted in 2015 (1,705,000 options granted) and none granted in 2014 as compared to 5,713,000, which were granted in late 2013, for which a significant portion of the related expense was recognized in 2014.

Interest Expense

Interest expense includes dividends on the Series C Preferred shares, which accrue at 8% per annum, accretion of the liquidation preferences on the Series C Preferred shares, amortization

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of the offering costs incurred for the issuance of the Series C Preferred shares, amortization of the discount related to the estimated fair value of the warrants issued as consideration for the April 2015 amendment to the Series C Preferred shares, amortization of Credit Facility costs and interest on the Company's Credit Facility and on its financing leases.

Interest expense for the years ended December 31, 2015 and 2014 consisted of the following:

	Years Ended December 31,	
	2015	2014
Accrued dividends on Series C Preferred.....	\$ 245,878	\$ 245,878
Accretion of Series C Preferred liquidation preference.....	172,048	172,048
Amortization of discount related to fair value of Series C Preferred detachable warrants.	188,347	188,346
Amortization of offering costs.....	114,910	114,909
Amortization of discount related to Series C Preferred amendment warrants.....	59,430	—
Interest expense on finance leases and debt, net.	32,048	63,489
Amortization of deferred financing fees.....	125,224	60,867
Total.....	\$ 937,885	\$ 845,537

The amortization of deferred financing fees in the above table includes the write-off of \$63,666 of unamortized deferred financing fees as of the date the Credit Facility was repaid and terminated (see Note 8 to the consolidated financial statements).

Gain (Loss) on Warrant Liabilities

Certain of our warrant agreements contain anti-dilution provisions, which if triggered by the issuance by the Company of equity securities below certain levels as defined in the individual warrant agreement, may result in a reduction of the exercise price of the warrants. We have recorded these warrants as warrant liability at fair value in the accompanying unaudited consolidated statements of financial position. The warrant liability is measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the unaudited consolidated statements of operations until such time as the warrants are exercised, expire or are permitted to be classified in shareholders' equity.

During the years ended December 31, 2015 and 2014, we recognized a non-cash gain from the change in the fair value of these warrants of \$81,609 and \$399,317, respectively.

These gains are the result of decreases in the fair value of these warrants driven primarily by changes in the share price of the Company's Ordinary Shares, a decrease of the remaining terms of the warrants and other factors.

Provision

During the year ended December 31, 2015, the Company recorded a provision loss of \$397,543 related to a litigation claim. The provision for this claim represents the best estimate

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of the future outflow that will be required to settle the claim at the end of the reporting period and may vary in the future.

Comparison of the quarter ended December 31, 2015 to the quarter ended December 31, 2014

Revenues

Revenue increased \$475,185, or 50.1%, from \$948,836 for the quarter ended December 31, 2014 to \$1,424,021 for the quarter ended December 31, 2015.

Revenue from our Employee Benefits Channel increased \$622,315, or 136.9%, from \$454,619 for the quarter ended December 31, 2014 to \$1,076,934 for the quarter ended December 31, 2015. The increase in our Employee Benefit Channel revenue from the fourth quarter of 2014 to fourth quarter of 2015 was the result of a 159.8% increase in the average monthly number of customers subscribing to our services, which was partially offset by an 8.8% decrease in the average monthly revenue generated per customer. This increase in customers in this channel is the result of our continuing efforts to expand our network of Benefit Brokers who promote our services to their employer clients and to increase the number of employer clients represented by these Benefit Brokers.

Revenue from our Tech Support Channel decreased \$59,235, or 26.4%, from \$224,279 for the quarter ended December 31, 2014 to \$165,044 for the quarter ended December 31, 2015. The decrease in our Tech Support Channel revenue from the fourth quarter of 2014 to the fourth quarter of 2015 was the result of a 21.3% decrease in the monthly average number of customers subscribing to our services, which was partially mitigated by an increase in the monthly average revenue per customer.

Revenue from our Consumer Marketing and Other Channels, which includes revenue for our consumer marketing customers, customers we acquired in May 2013 from a third party and our anti-virus partner customers, decreased by \$87,895, or 32.6%, from \$269,938 for the quarter ended December 31, 2014 to \$182,043 for the quarter ended December 31, 2015. This decrease was primarily due to a \$66,189 decrease in our consumer marketing customer revenue.

Cost of Revenue

Cost of revenue for the fourth quarter of 2015 was \$442,335, resulting in a gross profit of \$981,686, while our cost of revenue for the fourth quarter of 2014, was \$254,706, resulting in a gross profit of \$694,130. The gross margin for the fourth quarter of 2015 was 68.8% as compared to a gross margin of 73.2% for the fourth quarter of 2014.

Cost of revenue increased by \$189,901 in the fourth quarter of 2015 as compared to the similar period in 2014, primarily the result of an \$88,950 increase in personnel related expenses, a \$68,832 increase in customer enrollment related expenses and other costs of revenue and a \$32,019 increase in data services expenses.

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Personnel related expenses increased as a result of increased staffing levels in order to provide 24 hour/7 days per week customer service and to service a growing customer base. These expenses represented 9.8% and 5.4% of revenue for the three months ended December 31, 2015 and 2014, respectively.

Customer enrollment related expenses and other costs of revenue increased primarily as a result of increased customer communication expense as a result of both a growing customer base as well as increased levels of communication. These expenses represented 8.4% and 5.3% of revenue for the quarter ended December 31, 2015 and 2014.

While our data costs increased as a result of a significant increase in the number of customers, our data costs as a percent of revenue decreased to 13.0% for the three months ended December 31, 2015 from 16.1% in the similar period of the prior year as a result of improved data management techniques in 2015 as compared to 2014.

General and Administrative Expense

General and administrative expense increased \$107,607, or 40.1%, from \$268,340 during the fourth quarter of 2014 to \$375,947 during the fourth quarter of 2015. This increase is primarily due to an \$117,540 increase in personnel related expense driven by an increase in information technology personnel and adjustments to executive compensation.

Benefit Broker Commission Expense

Benefits broker commission expense increased by \$167,717, or 187.8%, from \$89,325 for the three months ended December 31, 2014 to \$257,042 for the similar period in 2015.

Benefit Broker commission expense as a percent of Employee Benefit Channel revenue increased from 19.6% for the quarter ended December 31, 2014 to 23.9% for the quarter ended December 31, 2015, because a significant portion of our Employee Benefit Channel revenue growth during 2015 was generated by Benefit Brokers who earned higher commission rates.

Sales and Marketing Expense

Sales and Marketing expense for the fourth quarter of 2015 totaled \$236,768 as compared to \$149,859 for the similar period in 2014, an increase of \$86,909, or 58.0%.

The significant items contributing to this increase are as follows:

- A \$50,384 increase in trade show and marketing related expenses; and
- A \$18,814 increase in travel and entertainment related expenses; and
- A \$7,506 increase in consulting services.

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Adjusted EBITDA

For the fourth quarter of 2015, adjusted EBITDA decreased by \$74,677 to \$111,929 as compared with \$186,606 for the similar period in 2014. The decrease in adjusted EBITDA is due to a net increase in general and administrative, benefit broker commission and sales and marketing and expenses.

Share-based Compensation

Share-based compensation expense for the fourth quarter of 2015 totaled \$20,383 as compared to \$18,154 for the similar period in 2014, a decrease of \$2,229, or 12.3%.

Interest Expense

Interest expense for the fourth quarter ended December 31, 2015 and 2014 consisted of the following:

	Three Months Ended December 31,	
	2015	2014
Accrued dividends on Series C Preferred.....	\$ 61,468	\$ 61,468
Accretion of Series C Preferred liquidation preference.....	43,012	43,012
Amortization of fair value of Series C Preferred detachable warrants.....	47,086	47,085
Amortization of offering costs.....	28,729	28,728
Amortization of discount related to Series C Preferred amendment warrants.....	21,525	—
Interest expense on finance leases and debt, net.....	696	12,868
Amortization of deferred financing fees.....	—	12,621
Total.....	\$ 202,516	\$ 205,782

Gain (Loss) on Warrant Liabilities

Certain of our warrants contain anti-dilution provisions, which if triggered by the issuance by the Company of equity securities below certain levels as defined in the individual warrant agreement, may result in a reduction of the exercise price of the warrants. We have recorded these warrants as warrant liability at fair value in the accompanying consolidated statements of financial position. The warrant liability is measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statements of operations until such time as the warrants are exercised, expire or are permitted to be classified in shareholders' equity.

During the three months ended December 31, 2015 and 2014, we recognized a non-cash gain (loss) from the change in the fair value of these warrants of \$(184,348) and \$439,249, respectively.

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These gains (losses) are the result of decreases (increases) in the fair value of these warrants driven primarily by changes in the share price of the Company's Ordinary Shares, shortening of the remaining terms of the warrants and other factors.

Provision

During the three months ended December 31, 2015, the Company recorded an additional provision loss of \$237,543 related to a litigation claim. The provision for this claim represents the best estimate of the future outflow that will be required to settle the claim at the end of the reporting period and may vary in the future.

Liquidity and Capital Resources

	As of December 31,	
	2015	2014
Current Assets		
Cash	\$ 1,069,289	\$ 886,476
Trade receivables	311,136	168,602
Prepaid expenses	170,434	123,617
	1,550,859	1,178,695
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,155,320	\$ 961,726
Deferred revenue	473,481	439,794
Provision	350,000	—
Current portion of long-term debt	18,532	100,353
	1,997,333	1,501,873
Net Working Capital Deficiency	\$ (446,474)	\$ (323,178)

As of December 31, 2015, cash and cash equivalents totaled \$1,069,289 compared to \$886,476 as of December 31, 2014. Net working capital deficiency at December 31, 2015 was \$(446,474) compared to \$(323,178) at December 31, 2014, reflecting a reduction of \$123,296 in net working capital. Excluding the provision of \$350,000, which caused the working capital deficit to increase, net working capital would have improved by \$226,704.

For the years ended December 31, 2015 and 2014, cash provided by operations was \$751,267 and \$581,189, respectively. The increase in cash provided by operating activities, when comparing the two periods, was primarily the result of an \$180,753 improvement in adjusted EBITDA from 2014 to 2015.

For the years ended December 31, 2015 and 2014, cash flows used in investing activities totaled \$(93,377) and \$(52,485), respectively. Cash flows used in investing activities in 2015 and 2014 were for capital expenditures, with the majority of the 2015 capital expenditures relating to computer hardware and software.

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Cash flows used in financing activities totaled \$(475,077) and \$(194,922) for the years ended December 31, 2015 and 2014, respectively, and are as follows:

	Year Ended December 31,	
	2015	2014
Repayments on Credit Facility.....	\$ (319,146)	\$ (180,854)
Credit Facility fees	(140,000)	—
Repayment of finance lease obligation.....	(15,931)	(14,068)
Net cash used in financing activities	\$ (475,077)	\$ (194,922)

On June 19, 2015, the Company repaid all the outstanding principal, a prepayment fee and interest due on its Credit Facility and during the first half of 2015 paid the above listed Credit Facility fees (see Note 8 to the consolidated financial statements).

Commitments

On November 19, 2012, the Company entered into a two-year agreement with a certain data provider, which was effective on January 1, 2013, and required the Company to pay a monthly fee based on the greater of actual data usage priced at contractual rates or \$10,000 per month. In October 2014, this data agreement was amended to extend the expiration date to September 30, 2017, modify certain pricing elements and to adjust the monthly fee to an amount equal to the greater of the actual data usage priced at the contractual rates or \$25,000 per month. These amendments were effective October 1, 2014.

The Company entered into a two-year agreement with a data provider which was effective on April 1, 2014, and requires the Company to pay a monthly fee based on the greater of actual data usage priced at contractual rates or \$3,000 beginning on May 1, 2014. In October 2014, the Company entered into an additional one year agreement with this data provider which was effective on October 1, 2014, and requires the Company to pay a monthly fee based on the greater of actual data usage priced at contractual rates or \$2,000 per month. This agreement was renewed on the same terms and expires on September 30, 2016.

In September 2014, the Company entered into an agreement to lease office space in Denver, Colorado to replace the lease for its prior office space, which expired on October 31, 2014. The new office lease was effective on November 1, 2014, has a 39-month term and includes an option to extend the lease for an additional five years. The Company's minimum lease payments for 2016, 2017 and 2018 are \$96,973, \$99,342 and \$8,295, respectively.

For the years ended December 31, 2015 and 2014, the Company recognized rent expense for leased office space of \$81,049 and \$80,840, respectively.

In October 2014, the Company entered into a three-year agreement with a telecommunications provider which requires the Company to pay a monthly recurring charges of \$904 per month.

On April 29, 2015, the Company entered into a three-year agreement with a certain data provider, which was effective on May 1, 2015, and requires the Company to pay a monthly fee based on

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the greater of actual data usage priced at contractual rates or \$1,000 per month beginning on August 1, 2015.

Capital Resources

The Company will seek to grow its customer base primarily through the Employee Benefit Channel. The Company continues to make progress in expanding its network of employee benefit brokers who market our services to their employer clients for inclusion in the client's employee benefit plans as primarily a voluntary employee benefit.

As of December 31, 2015, our cash balances totaled \$1,069,289, and we had no borrowing capacity under our Credit Facility, which was repaid in full and terminated on June 19, 2015 (see Note 8 to the consolidated financial statements). We are dependent upon our existing cash balances, along with our cash flow generated from operations, proceeds from the exercise of warrants and additional debt or equity financing, if available, to fund our debt service, expansion plans and other working capital needs.

Based on our current forecast of revenue growth, the Company anticipates that it will generate positive adjusted EBITDA for the year ending December 31, 2016. The Company generated adjusted EBITDA of \$644,508 for the year ended December 31, 2015. Given the Company's existing cash balances, projected increase in adjusted EBITDA and proceeds from the exercise of warrants, the Company believes it will have sufficient liquidity to fund its operating activities and working capital needs for at least twelve months from December 31, 2015.

The Company's Series C Preferred shares matured on February 24, 2016. The holders of the Series C Preferred had the right on or prior to the Maturity Date to convert each Series C Preferred share into 10,000 Ordinary Shares. Any Series C Preferred shares that were not converted to Ordinary Shares prior to the Maturity Date were redeemed by the Company through the issuance of unsecured notes, due November 22, 2017 (the "Exchange Notes"). The Exchange Notes are unsecured, pay cash interest on a quarterly basis at a rate of 15% per annum, and may be repaid by the Company at any time without penalty.

On or immediately prior to the Maturity Date, certain Series C Preferred shareholders converted 1,399,960 shares of Series C Preferred shares into 13,999,600 Ordinary Shares of the Company. The remaining 1,673,520 Series C Preferred shares, which were not converted to Ordinary Shares, were redeemed by the Company through the issuance of Exchange Notes with a total principal amount of \$2,811,956.

Also, in conjunction with the issuance of the Series C Preferred shares in February 2011, the Company issued 19,965,886 warrants to purchase Ordinary Shares of the Company with an exercise price of \$0.12 per Ordinary Share and an expiration date of February 24, 2016 (the "Warrants"). Prior to expiration, certain holders exercised the Warrants and were issued 4,150,000 Ordinary Shares; the Company received \$498,000 of cash proceeds from the exercise of these Warrants.

The Company will seek to enter into a credit facility in 2016 to repay the Exchange Notes and further reduce our interest expense. However, there can be no assurance the Company will be successful in securing a credit facility or on terms it believes are acceptable.

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Outstanding Share Data

We are authorized to issue up to 450,000,000 Ordinary Shares with no par value and up to 450,000,000 preferred shares. As of December 31, 2015, we have the following equity securities outstanding:

Ordinary Shares

- 121,834,997 Ordinary Shares outstanding;
- 40,999,486 warrants, each of which is exercisable for one Ordinary Share at prices ranging from \$0.10 to \$0.25; and
- 14,428,000 stock options, each of which is exercisable for one Ordinary Share at prices ranging from \$0.06 to \$0.27 per share.

The warrants outstanding are denominated in U.S. dollars and contain cashless exercise provisions, which, upon certain conditions, permit the holder to exercise their warrants on a net cash exercise basis and receive Ordinary Shares without payment of any cash consideration.

Certain of the warrant agreements contain anti-dilution provisions that require a reduction in the exercise price of the warrant in the event the Company issues or sells its Ordinary Shares for an effective price that is less than the then existing exercise price of the warrant. The sale of the Series C Preferred shares and a units offering in 2011 triggered these anti-dilution provisions in certain of our warrant agreements.

Series C Preferred Stock

On February 24, 2011, the Company issued 3,123,481 shares of its Series C Preferred shares. In June 2012, 50 shares of the Series C Preferred were converted to Ordinary Shares. As of December 31, 2015, the Company had outstanding 3,073,481 shares of its Series C Preferred shares. The holders of the Series C Preferred shares had the right to convert each share of their Series C Preferred into 10,000 Ordinary Shares of the Company, or 30,734,810 Ordinary Shares. The Company has reserved 30,734,810 of its Ordinary Shares to effect the conversion of Series C Preferred. The Series C Preferred shares are considered to be mandatory redeemable shares and is classified as a liability on the Company's consolidated statement of financial position as of December 31, 2015.

The Series C Preferred shares have voting rights and powers equal to the voting rights of Ordinary Shares on an "as if" converted to Ordinary Shares basis.

In the event the Company issues or sells its Ordinary Shares for an effective price (the "New Issuance Price") that is less than the then existing conversion price of the Series C Preferred shares in effect immediately prior to such issue or sale, then immediately after such issuance the conversion price then in effect shall be reduced to the New Issuance Price, but not less than \$0.15 per Ordinary Share.

The Company's Series C Preferred matured on February 24, 2016. The holders of the Series C Preferred had the right on or prior to the Maturity Date to convert each Series C Preferred share

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into 10,000 Ordinary Shares. Any Series C Preferred shares that were not converted to Ordinary Shares prior to the Maturity Date were redeemed by the Company through the issuance of the Exchange Notes.

On or immediately prior to the Maturity Date, certain Series C Preferred shareholders converted 1,399,960 shares of Series C Preferred shares into 13,999,600 Ordinary Shares of the Company. The remaining 1,673,520 Series C Preferred shares, which were not converted to Ordinary Shares, were redeemed by the Company through the issuance of Exchange Notes with a total principal amount of \$2,811,956.

Off-balance Sheet Arrangements

Other than the office lease commitment described in Note 11 of the Company's December 31, 2015 consolidated financial statements and obligations described in the "Commitments" section above, the Company did not have any off-balance sheet arrangements as of December 31, 2015.

Transactions with Related Parties

None.

Provision

Effective November 21, 2014, the Company terminated a sales affiliate relationship in its Tech Support Channel (the "Sales Affiliate"). In early 2015, the Company received an informal claim for unpaid compensation due the Sales Affiliate for customer renewals occurring subsequent to the date of termination.

On October 12, 2015, the Company was served with a civil action summons by the Sales Affiliate claiming approximately \$600,000 plus future claims for unpaid fees and customer renewals. All Sales Affiliate claims are based on renewals subsequent to termination.

The Company and its legal advisors believe these claims are without merit and intends to vigorously defend itself against these claims.

The Company has recorded a \$350,000 provision as of December 31, 2015, as its best estimate of the cost to defend and resolve these claims. The Company believes any outflow of funds required to resolve this matter will likely occur within 12 months from December 31, 2015.

Significant Accounting Judgment and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities as of the date of the consolidated financial statements and reported amounts of revenues and

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expenses during the reporting period. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The key areas of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

(1) Judgments

The key judgments made in applying accounting policies that have the most significant effect on the amount recognized in these consolidated financial statements are as follows:

(i) Provisions and contingencies

From time to time, the Company is involved in claims in the normal course of business. Management assesses such claims and where considered probable to result in a material exposure and where the amount of the claim can be reasonably estimated, provisions for loss are made based on management's assessment of the likely outcome.

Significant judgments are required in determining whether various provisions and contingencies require disclosure in the consolidated financial statements and also in estimating the amounts of the provisions and contingencies.

(ii) Going concern assumption

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment, which is evaluated by management continually.

(iii) Revenue recognition and presentation

When deciding the most appropriate basis for presenting revenue or direct costs of revenue, both legal form and substance of the agreement between the Company and its business partners are reviewed to determine each party's respective role in the transaction. This determination requires the exercise of judgment and management usually considers whether (a) the Company has primary responsibility for providing the services to the customer; (b) the Company has discretion in establishing prices; (c) the Company bears the customer's credit risk and (d) the Company is involved in determining service specifications.

(2) Use of Estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to these consolidated financial statements are as follows:

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(i) Compound instruments

The Company estimated the fair value of the liability component of the Series C Preferred, including the related warrants, by discounting the redemption amount at a market rate for a similar liability that does not have an associated equity component. Warrants were issued with the Series C Preferred and their fair value was estimated using the Black Scholes options pricing model. Further, as the Series C Preferred is convertible, a portion of the proceeds were allocated to the conversion feature embedded in the Series C Preferred. Also, see Note 9 (a) of the consolidated financial statements.

(ii) Warrants and options

The Company uses the Black-Scholes option pricing model to value warrants and stock options. The Black-Scholes model requires the use of a number of assumptions, including expected share price volatility, risk-free interest rates, expected term and dividend yield.

The estimated expected share price volatility is based on the Company's historical share price volatility. The risk-free interest rate is based on the U.S. Treasury bill rate for the expected term of the related warrants and stock options. The expected term of stock options represents the period of time that the stock options granted are expected to be outstanding. As the Company does not pay dividends, the dividend rate variable in the Black-Scholes model is zero. In addition to the Black-Scholes model assumptions used in valuing stock options, the Company also estimates a forfeiture rate. The estimated forfeiture rate is based upon a combination of industry data and the Company's historical experience.

(iii) Trade receivables and allowance for doubtful accounts

Trade receivables are recorded at the estimated recoverable amount which requires management to estimate uncollectable accounts. Management analyzes changes in customer payment history as well as other factors when making a judgment to evaluate the adequacy of the allowance for doubtful accounts receivable. When the expectation is different from the original estimate, such difference will impact the carrying value of trade receivable.

(iv) Property and equipment

Management estimates the useful lives of property and equipment based on the period during which the assets are expected to be available for use. The estimates are reviewed at least annually and are updated if expectations changes as a result of physical wear and tear, technical or commercial obsolescence, and legal or other limits to use. The amounts and timing of recorded expenses for depreciation or amortization of property and equipment for any period would be affected by changes in these factors and circumstances. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property and equipment in the future.

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(v) Customer agreements

In 2013, the Company acquired certain customer agreements from a third-party identity theft protection company.

The customer agreements are being amortized over five years, which is their estimated remaining life, including renewals, and was based on management's experience with other similar customer agreements. The estimates are reviewed at least annually and are updated if expectations changes as a result of changes in renewal percentages and other factors. The amounts and timing of recorded expenses for amortization of customer agreements for any period would be affected by changes in these factors and circumstances.

The valuations associated with measuring the recoverability of customer agreements for impairment analysis purposes involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates, terminal growth rates and asset lives. These significant estimates could affect the Company's future results if the current estimates of future performance and fair values change.

(vi) Provisions

The assumptions associated with calculating the expected value of provisions involve significant estimates and assumptions, including those with respect to potential outcomes, probability of such outcomes and estimate of the related future resource outflows. These significant estimates could affect the Company's future results if the current estimates change.

Future Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company.

IFRS 9 Financial Instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets and liabilities. IFRS 9 uses a single approach to determine whether a financial instrument is measured at fair value through profit or loss, fair value through other comprehensive income or amortized cost, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of those financial instruments. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The IASB has established a tentative adoption date of January 1, 2018 for this IFRS. The Company will be required to adopt IFRS 9 in the future and has not fully assessed the impact of adopting IFRS 9.

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IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principle based five-step model to be applied to all contracts with customers, except insurance contracts, financial instruments and lease contracts, which fall under the scope of other IFRSs. It specifies how and when to recognize revenue as well as requiring entities to provide more information and relevant disclosure. IFRS 15 is to be applied on either a full or modified retrospective approach and is effective for annual period beginning on or after January 1, 2018, with earlier application permitted. The Company has not fully assessed the impact of adopting IFRS 15.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 has also been applied. The Company will be required to adopt IFRS 16 in the future and has not fully assessed the impact of adopting IFRS 16.

Financial Instruments and Other Instruments

On February 24, 2011, the Company issued 3,123,481 shares of its Series C Preferred and five-year warrants to purchase 15,617,405 of its Ordinary Shares at an exercise price of \$0.12 per share and received gross proceeds of \$3,123,481. In addition, the Company issued to the underwriters of this offering five-year warrants to purchase 4,348,481 of its Ordinary Shares at an exercise price of \$0.12 per share. The Series C Preferred is considered to be mandatory redeemable shares and is classified as a liability on the Company's statement of financial position.

In accordance with IAS 32, the Company estimated the fair value of the liability component of the Series C Preferred Stock to be \$2,978,009, including the related warrants, by discounting the redemption amount at a market rate for a similar liability that does not have an associated equity component. The warrants were issued with the Series C Preferred and their fair value, using the Black Scholes options pricing model, is estimated to be \$814,105, resulting in a fair value of \$2,163,904 for the liability portion of the Series C Preferred stock. Further, as the Series C Preferred is convertible, a portion of the proceeds were allocated to the conversion feature embedded in the Series C Preferred. The residual amount reflecting the conversion feature of \$145,472 was recorded as the equity component. The Series C Preferred and the related warrants are classified as a liability, and the discount will be amortized over the period from issuance to February 24, 2016 (the redemption date) as a charge to interest expense.

Forward-looking Information and Statements

Certain statements contained in this report constitute forward looking information within the meaning of applicable securities laws. Implicit in this information, particularly in respect of the

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Company's future operating results, economic performance and the ultimate outcome of provisions and contingencies are assumptions regarding projected revenues and expenses. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that the Company's actual future operating results and economic performance are subject to a number of risks and uncertainties, including general economic, market and business conditions, and could differ materially from what is currently expected. Forward-looking information contained in this report is based on management's current estimates, expectations and projections, which management believes are reasonable as of the current date. The reader should not place undue reliance on forward-looking statements and should not rely upon this information as of any other date. In addition to presenting an analysis of results for the three month periods and years ended December 31, 2015 and 2014, this report also discusses certain important events that occurred between the end of the period and March 31, 2016.

Forward-looking information included or incorporated by reference in this document includes statements with respect to the Company's:

- Efforts and plans to expand its Employee Benefit Channel and ultimately our customer base by significantly expanding the number of Benefit Broker relationships and the depth and breadth of our relationships within these Benefit Brokers Efforts -- See Marketing of Services;
- Belief that it will likely generate positive earnings, before net interest expense, income taxes, depreciation and amortization, share-based compensation litigation provision, gain on disposition of assets and gain (loss) on warrant liability for the year ending December 31, 2016--See Capital Resources;
- Belief that it will have sufficient liquidity to fund its operating activities and working capital needs for at least twelve months from December 31, 2015—See Capital Resources.
- Estimation that revenue from its Tech Support Channel will decline from 45% to 55% in 2016—See Results of Operations.
- Management's estimate of the outflow of resources and the belief that it is probable that an outflow of resources will be required in order to resolve a certain claim made against it by its Sales Affiliate—See Provision.

Business Risks

In the normal course of business, the Company's operations are influenced by a number of internal and external factors and are exposed to risks and uncertainties that can affect its business, financial condition and operating results. The activities of the Company are subject to ongoing operational risks including the performance of key data and service suppliers, product acceptance, competition, litigation, ability to retain customers and government and other industry regulations, all of which may affect the ability of the Company to meet its obligations.

The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected.

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Risk management is supervised by the Chief Executive Officer and the Chief Financial Officer under guidance from the Board of Directors. The Chief Executive Officer and the Chief Financial Officer department identifies and evaluates financial risks in cooperation with other management personnel. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Ability to Retain Distribution Partners, Employers and Customers

We have derived a significant portion of our revenue from customers who subscribe to our consumer services through one of our distribution partners, including Benefit Brokers, benefit platforms, employers and tech support partners. Many of our key distribution relationships are governed by agreements that may be terminated without cause and without penalty and upon a short notice period. In order for us to grow our revenue, we must maintain and expand our relationships with these partners. The loss of certain of these distribution partners may have a material adverse effect on our business, financial condition, and results of operation (see Notes 12 and 16 to the consolidated financial statements).

Data Suppliers

Our services depend extensively upon continued access to and receipt of data from external sources. Our data providers could stop providing data, provide untimely data, or increase the costs for their data for a variety of reasons, including for competitive reasons. This would adversely affect our business, operating results, and financial condition.

Further, we may not be successful in maintaining our relationships with these data providers and may not be able to continue to obtain data from them on acceptable terms or at all. Furthermore, we cannot provide assurance that we will be able to obtain data from alternative or additional sources if our current sources become unavailable.

Ability to Manage Future Growth

Future growth, if any, may cause a significant strain on the Company's management and its operational, financial, human and other resources. The Company's ability to manage growth effectively will require it to implement and improve operational, financial, and management information systems and to hire, train, manage employees. These demands may require the addition of management and other personnel and the development of additional expertise. There can be no assurance that the Company will be able to manage such growth effectively, that its management, personnel or systems will be adequate to support the Company's operations or that the Company will be able to achieve the increased levels of revenue commensurate with the increased levels of operating expenses associated with this growth, if any.

Competition

We operate in a highly competitive business environment and most of our competitors have substantially greater financial, technical, marketing, distribution and other resources than

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we possess, which affords them competitive advantages. In addition, some of our competitors may have access to data that we do not have or cannot obtain without difficulty, or at all. Any of these factors could reduce our growth, revenue, access to valuable data, or market share.

Security of Confidential Information

Our services require us to collect, store, use, and transmit significant amounts of confidential information, including, but not limited to, personally identifiable information, credit card information, and other categories of sensitive data. We employ a range of information technology solutions, controls, procedures, and processes designed to protect the confidentiality, integrity, and availability of our data and information technology systems. While we engage in a number of measures aimed to protect against security breaches and to mitigate as much risk as possible if a data breach were to occur, our information technology systems and infrastructure may be vulnerable to damage, compromise, disruption, and shutdown due to vulnerabilities, attacks, or breaches by cyber criminals or due to other circumstances, such as employee error or malfeasance and technology malfunction. The occurrence of any of these events, as well as a failure to promptly remedy these events should they occur, could compromise our systems, and the information stored in our systems could be accessed, publicly disclosed, lost, stolen, or corrupted. Any such circumstance could potentially have an adverse effect on our ability to attract and maintain customers as well as strategic partners, cause us to suffer negative publicity, and subject us to legal claims and liabilities and regulatory penalties.

Government Regulation

Our business and the information we use in our business is subject to federal, state, and local laws and regulations, including, but not limited to, the FCRA, the Gramm-Leach-Bliley Act, the FTC Act, and state laws that allow state attorneys general to enforce regulations similar to those found in the FTC Act. We operate our business and monitor our compliance with these laws and regulations at great cost to us and any changes to the laws or regulations that currently apply, or any determination that other laws or regulations are applicable to us, could increase our costs or impede our ability to provide our services to our customers, both of which could have a material adverse effect on our business, operating results, financial condition, and prospects. All of these laws and regulations are subject to revision and we cannot predict the impact of such changes on our business. Further, any determination that we have violated any of these laws and regulations may result in liability for fines, damages, and other penalties which could have a material adverse effect on our business, operating results, financial condition, and prospects.

We also are subject to federal and state laws regarding privacy and the protection of data. Any failure by us to adequately protect our customers' privacy and data could result in regulatory fines and penalties, loss of customer confidence in our services, and loss of customers, all of which could adversely affect our business.

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Credit, Liquidity and Market Risks

The Company is exposed to credit, liquidity and market risks in the normal course of the Company's operations. These risks are mitigated by the Company's financial management policies and practices described below.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivable from customers.

(i) Trade and other receivables

The Company is exposed to credit risk from its customers. Because of the nature of the services provided by the Company and the infrequent occurrence of uncollectible accounts, the Company typically does not perform credit checks on its customers in advance of providing service to the customers and, therefore, does not have specific knowledge regarding the credit quality of its customers. However, the Company provides its services to a significant number of customers, which minimizes concentration of credit risk. Additionally, the Company reviews its trade receivable aging report on a monthly basis and follows up on any accounts that are past due.

As of December 31, 2015, trade receivables that are considered past due (over 30 days past due from the date of the invoice) totaled \$40,817, none of which the Company considered to be impaired. The gross trade receivables at December 31, 2015 and 2014, was \$317,649 and \$170,165, respectively. For the years ended December 31, 2015 and 2014, the Company recorded bad debt expense of \$4,950 and \$625, respectively.

(ii) Cash and cash equivalents

The Company limits its exposure to credit risk by making deposits with and investing only in liquid securities with established financial institutions. Management does not expect any counterparty to fail to meet its obligations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account projected sales, receipts, expenditures and by managing the maturity profile of its financial liabilities. The Company currently finances its operations through internally generated cash flows and available cash balances. The table below is a summary of the Company's debt maturities as of December 31, 2015:

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	Finance Leases	Series C Preferred (1)	Total
2016.....	\$ 18,532	\$ —	\$ 18,532
2017.....	3,973	5,164,257	5,168,230
2018.....	4,318	—	4,318
2019.....	4,692	—	4,692
2020.....	4,658	—	4,658
Total.....	\$ 36,173	\$ 5,164,257	\$ 5,200,430

(1) See Note 9 and 10 of the consolidated financial statements regarding the maturity, conversion and redemption features of the Series C Preferred. Also, see Note 22 of the consolidated financial statements regarding redemption and conversion of the Series C Preferred subsequent to year-end.

The Company’s Series C Preferred shares matured on February 24, 2016. The holders of the Series C Preferred had the right on or prior to the Maturity Date to convert each Series C Preferred share into 10,000 Ordinary Shares. Any Series C Preferred shares that were not converted to Ordinary Shares prior to the Maturity Date were redeemed by the Company through the issuance of the Exchange Notes. The Exchange Notes are unsecured, pay cash interest on a quarterly basis at a rate of 15% per annum, and may be repaid by the Company at any time without penalty.

On or immediately prior to the Maturity Date, certain Series C Preferred shareholders converted 1,399.960 shares of Series C Preferred shares into 13,999,600 Ordinary Shares of the Company. The remaining 1,673.520 Series C Preferred shares, which were not converted to Ordinary Shares, were redeemed by the Company through the issuance of Exchange Notes with a total principal amount of \$2,811,956.

Also, in conjunction with the issuance of the Series C Preferred shares in February 2011, the Company issued 19,965,886 warrants to purchase Ordinary Shares of the Company with an exercise price of \$0.12 per Ordinary Share and an expiration date of February 24, 2016 (the “Warrants”). Prior to expiration, certain holders exercised the Warrants and were issued 4,150,000 Ordinary Shares; the Company received \$498,000 of cash proceeds from the exercise of these Warrants.

The Company will seek to enter into a credit facility in 2016 to repay the Exchange Notes and reduce our interest expense. However, there can be no assurance the Company will be successful in securing a credit facility or on terms it believes are acceptable.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, affect the Company’s income (loss) or the value of its assets.

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(i) *Interest rate risk*

The Company is currently not exposed to interest rate risk as all of its debt has fixed interest rates.

(ii) *Foreign currency risk*

The Company is currently not exposed to foreign currency risk as substantially all of its transactions are denominated in U.S. dollars.

This MD&A was authorized for issue by the Audit Committee and the Board of Directors on March 31, 2016.