ID Watchdog, Inc.
Management's Discussion and Analysis
For the Third Quarter ended September 30, 2011

Introduction

The following report is a discussion relating to the consolidated financial results and position of ID Watchdog, Inc. (the "Company") for the three and the nine-month periods ended September 30, 2011. The discussion should be read in conjunction with the selected consolidated financial information shown in this report, and our unaudited interim consolidated financial statements and accompanying notes. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in US dollars as all of the Company's revenues and expenses are recorded in US dollars. Additional information on the Company, including the Company's Annual Information Form, Annual Report and the audited financial statements for the year ended December 31, 2010, can be obtained from SEDAR at www.sedar.com as well as from the Company's website at www.idwatchdog.com in the Investors section. Information contained in this report is qualified by reference to the discussion concerning forward-looking statements detailed below.

Forward-looking Statements

Certain statements contained in this report constitute forward looking information within the meaning of securities laws. Implicit in this information, particularly in respect of the Company's future operating results and economic performance 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. For more exhaustive information on these risks and uncertainties, please refer to our most recently filed Annual Information Form, which is available at www.sedar.com. 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. While the Company may elect to, it is under no obligation and does not undertake to update this information at any particular time, unless required by applicable securities law. In addition to presenting an analysis of results for the three and the nine-month periods ended September 30, 2011 and 2010, this report also discusses certain important events that occurred between the end of the period and November 28, 2011.

Adoption of International Financial Reporting Standards ("IFRS")

The Company's interim 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") that are expected to be effective as of December 31, 2011, the date of the Company's first annual reporting under IFRS. Previously, the Company prepared its interim and annual consolidated financial statements in accordance with Generally Accepted Accounting Principles accepted in the United States of America ("U.S. GAAP"). Comparative information for the years ended on or before December 31, 2009, have been prepared under U.S. GAAP and has not been restated under IFRS.

Note 4 to the interim condensed consolidated financial statements contains a detailed description of the company's adoptions of IFRS, including a reconciliation of the consolidated financial statements previously prepared under U.S. GAAP to those under IFRS for the following statements:

The consolidated statements of financial position at January 1, 2010 and the December 31, 2010;
The consolidated statement of income for the for the three and nine months ended September 30, 2010; and
The consolidated statement of changes in shareholder's deficit as of January 1, 2010 and December 31, 2010.

The most significant impacts of the adoption of IFRS, together with the details of the IFRS 1 exemptions taken, are described in the "Transition to IFRS" section on page 14 of this interim MD&A. The adoption of IFRS does not impact the underlying operations of the Company's business or its cash flows.

Except as otherwise noted, this MD&A is presented in United States dollars, which is the Company's functional currency. We have used the foreign exchange rate in effect at September 30, 2011, of CDN$1.00 = US$0.968.

Background and Description of Business

The Company provides a variety of identity theft detection, protection and resolution services primary to individual customers 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. The FBI has described 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:

- Monitoring: 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;

- Protection: 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

- Resolution: 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.

Marketing of Services

Historically, the Company has used consumer advertising, telemarketing and on-line affiliate marketing programs to sell its services. The Company has found that the cost of these new customer acquisition strategies was relatively high. Recently we have observed that market forces are beginning to promote convergence among the providers of consumer-facing security software solutions and technologies; i.e. there is an emerging initiative to provide consumers with a comprehensive desktop and mobile phone security application suite that incorporates device protection, identity protection, and on-line transactional security.

To capitalize on the emerging trend of comprehensive personal computer and mobile phone security solutions, while reducing its customer acquisition costs, the Company has identified a new customer acquisition strategy which should provide for efficient and low cost customer acquisition. The Company will integrate with partner software products to offer “Free Alerts”, to the partners' end-users through their desktops (the “Desktop Partnering Strategy”). These alerts are comprised of personal alerts based upon changes to a unique person's credit report, as well as generic informational alerts. These alerts will form a foundation upon which the Company hopes to upgrade users from “Free Alerts” to a premium identity theft protection product ranging in price from $9.95 upwards. While the Company will not be paying for access to market to our partners' customers, we will be sharing in the revenue of each sale.

In the first quarter of 2011, the Company began to implement the Desktop Partnering Strategy. As of the date of this report, the Company has negotiated partnering agreements with five anti-virus or other desktop software companies, which have their software installed on an estimated 34 million U.S. personal computers. The Company has integrated its services with three of these partners and the partners began to make our services available to their U.S. customers in June, July and October of 2011. The Company anticipates that the two partners who have yet to launch our service will begin to do so in the fourth quarter of 2011 or early in the first quarter of 2012.

(Expressed in U.S. Dollars)

Results of Operations

The financial information set out below is based on and derived from our unaudited consolidated statements of operations for the three and nine month periods ended September 30, 2011 and 2010.

	For the Three Months ended September 30,	
	2011	**2010**
	(unaudited)	(unaudited)
Revenue	$ 46,817	$ 698,230
Gross profit	203,437	629,479
Gross profit margin	45.5%	90.2%
Operating expenses		
General and Administrative expense	552,272	510,127
Marketing expense	147,495	191,529
Stock – based compensation expense	119,647	11,854
Depreciation and amortization expense	38,069	64,434
Net loss and comprehensive loss applicable to ordinary shares	$ (774,437)	$ (365,760)
Basic and diluted net loss per share	$ (0.01)	$ (0.01)

	For the Nine Months ended September 30,	
	2011	**2010**
	(unaudited)	(unaudited)
Revenue	$ 1,542,511	$ 2,776,647
Gross profit	1,092,859	2,473,141
Gross profit margin	70.8%	89.1%
Operating expenses:		
General and Administrative expense	1,869,228	1,753,951
Marketing expense	454,827	1,213,348
Stock – based compensation expense	408,445	39,656
Depreciation and amortization expense	143,521	188,763
Net loss and comprehensive loss applicable to ordinary shares	$ (2,238,546)	$ (2,093,299)
Basic and diluted net loss per share	$ (0.02)	$ (0.03)

Revenues

Revenue decreased $251,413, or 36.0%, from $698,230 for the third quarter of 2010 to $446,817 for the third quarter of 2011. This decrease in revenue is primarily the result of a 13% decline in the average number of customers subscribing to our services during the third quarter of 2010 as compared to the average customers during the third quarter of 2011.

Revenue decreased $1,234,136, or 44.4%, from $2,776,647 for the nine months ended September 30, 2010 to $1,542,511 for the nine months ended September 30, 2011. This decrease in revenue is primarily the result of a 27% decline in the average number of customers subscribing to our services during the first nine months of 2010 as compared to the average customers during the first nine months of 2011.

The decrease in revenues and the average number of customers subscribing to our services for both the third quarter of 2011 and the nine month period ended September 30, 2011, as compared to the similar periods in the prior year, are the result of a significant reduction in our marketing efforts as the Company looked to preserve cash in early 2011 and as it redirected its marketing and distribution efforts toward it Desktop Partnering Strategy to expand its customer base.

Cost of Revenue

Cost of revenue consists primarily of the following:

- Fees paid to a credit bureau and for other data providers;
- Costs for credit card processing; and
- Cost of personnel and other related costs incurred for customer support.

Cost of revenue for the third quarter of 2011 was $243,380, resulting in a gross profit of $203,437, while our cost of revenue for the third quarter of 2010, was $68,751, resulting in a gross profit of $629,479. Gross margin for the third quarter of 2011 was 45.5% as compared to a gross margin of 90.2% for the third quarter of 2010, a decrease of 44.7%. The increase in cost of revenue is primarily a result of a $148,500 increase in data service expenses and a $36,900 one-time expense resulting from the write-down in the value of software licenses, which were partially offset by a $7,200 decrease in costs for credit card processing as a result of decreased revenue. Data service expenses increased due to a data service fee increase that took effect in July 2011.

Cost of revenue for the nine months ended September 30, 2011 was $449,652, resulting in a gross profit of $1,092,829, while our cost of revenue for the nine months ended September 30, 2010, was $303,506 resulting in a gross profit of $2,473,141. Gross margin for the third quarter of 2011 was 70.8% as compared to 89.1% for the third quarter of 2010, a decrease of 18.3%. The increase in cost of revenue is primarily an $180,600 increase in data service expense and a $36,900 one-time expense resulting from the write-down in the value of software licenses, which were partially offset by a $67,600 decrease in costs for credit card processing as a result of decreased revenue. Data service expenses increased due to a data service fee increase that took effect in July 2011.

The Company anticipates that its gross margin will remain consistent with the level experienced in the third quarter of 2011 as a result of the revenue sharing structure of its agreements with its Desktop Publishing Strategy partners and increased in data costs that took effect in July 2011.

The Company anticipates that gross margins will range from 48% to 53% in the fourth quarter of 2011 and into early 2012.

General and Administrative Expense

General and administrative expense consists primarily of the following:

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

General and administrative expense increased $42,145, or 8.3%, from $510,127 during the third quarter of 2010 to $552,272 during the third quarter of 2011. The increase reflects:

- A $37,000 increase in professional services expenses including increased legal fees incurred to research and advise on certain securities related issues and increased accounting fees to adapt IFRS; and
- The above increases in general and administrative expense were partially offset by a $18,800 decrease in travel expenses as a result of management traveling less.

General and administrative expense increased $115,277, or 6.6%, from $1,753,951 during the nine months ended September 30, 2010 to $1,869,228 for the nine months ended September 30, 2011. This increase reflects:

- A $103,500 net increase in professional services expenses including increased legal fees incurred to research and advise on certain securities related issues and increased accounting fees to adapt IFRS, which were partially offset by a reduction in consulting services;
- The write-off to bad debt expense of a $44,600 note receivable due from Veracity Credit Consultants, LLC; and
- The above increases in general administrative expense were partially offset by a $68,500 decrease in salaries and benefits as a result of a decrease in personnel employed by the Company.

Marketing Expense

Marketing expense consists primarily of the following:

- Call center staff wages and related expenses;
- Marketing agents' commissions;
- Advertising and production costs;
- Public relations expenses; and
- Website development and operational costs.

Marketing expense for the three months ended September 30, 2011 was $123,570 as compared to $191,529 for the similar period in 2010. Marketing expense for the nine months ended September 30, 2011 was $454,827 as compared to $1,213,348 for the similar period in 2010.

The decrease in marketing expense for the three and nine month periods ended September 30, 2011, as compared to the similar periods in the prior year are primarily the result of a significant reduction in call center personnel and related expenses, marketing expenses and reduced sales commissions expense due to a lower number of new customers added during the three month and the nine month periods ended September 30, 2011, as compared to the similar periods in the prior year.

The Company's growth strategy is to expand its customer base through its Desktop Partnering Strategy. This strategy does not utilize call center telemarketing or traditional consumer marketing, which is how the Company attracted new customers in the past. The Company estimates that its quarterly marketing expense in the near term will generally be consistent with the level of expenditures experienced in the third quarter of 2011.

Stock-based Compensation

For the three months ended September 30, 2011, stock-based compensation increased $107,700 from $11,854 during the three months ended September 30, 2010 to $119,647 for the three months ended September 30, 2011. For the nine months ended September 30, 2011, stock-based compensation increased $368,700 from $39,656 during the nine months ended September 30, 2010 to $408,445 for the nine months ended September 30, 2011.
These increases are the result of the stock option grants made in June 2011, primarily to officers and directors, to purchase 8,110,000 Ordinary Shares.

Related Party Expense

From the Company's inception through March 11, 2011, Daryl Yurek was the Chief Executive Officer and Chairman of the Board of Directors of the Company. On March 11, 2011, Mr. Yurek resigned as CEO and as Chairman of the Board of the Company. Subsequent to that date, the Company no longer considers transactions with Mr. Yurek, his affiliates, or Veracity Credit Consultants, LLC ("VCC"), a company Mr. Yurek is also affiliated with, as related party transactions. While transactions with Mr. Yurek and his affiliates are no longer considered related party transactions subsequent to March 11, 2011, certain of these transactions continued past the date he resigned from the Company.

During the third quarter ended September 30, 2011, the Company gave written notice to VCC that it was terminating its verbal Office Rent, Equipment and Supplies agreement effective September 21, 2011. Also, during the third quarter of 2011, the Company received notice from Mr. Yurek that he had ceased providing certain consulting services to the Company under a month to month verbal consulting agreement. As a result, effective August 31, 2011, the Company is no longer receiving or paying for these month to month consulting services.

Following are services provided by Mr. Yurek, his affiliates or VCC, which were considered related party expense. The expenses disclosed below only include transactions with Mr. Yurek or VCC through and including March 11, 2011, and therefore no related party amounts are disclosed for the three month period ended September 30, 2011.

Call Center Services

During 2011 and 2010, the Company was provided facilities and call center services by VCC under a month to month service agreement. For the nine months ended on September 30, 2011, the Company incurred call center marketing expenses of $10,800, and for the three and nine months ending September 30, 2010 the Company incurred center marketing expenses $23,892 and $118,167, respectively.

General and Administrative Expense

(a) Office Rent, Equipment and Supplies

During 2011 and 2010, the Company shared office space with VCC and was allocated certain costs (based on head count) for office space rent, office equipment, supplies and other office related items. This sharing arrangement was a month to month cost sharing agreement with VCC. For the nine months ended September 30, 2011, the Company incurred $18,093 of expenses and for the three and nine months ending September 30, 2010 the Company incurred $25,448 and $35,552 of expenses, respectively, under this arrangement.

(b) Consulting Fees to Daryl Yurek

During 2011 and 2010, the Company paid consulting fees to Daryl Yurek, or entities he controlled, under a month to month consulting agreement. For the nine months ended September 30, 2011, the Company recognized $30,276 of consulting fee expense, and for the three and nine months ending September 30, 2010 the Company recognized $34,179 and $130,621 of consulting fees, respectively, under this arrangement.

Interest expense

On February 24, 2011, the Company sold 3,123.481 shares of its Series C Preferred as a part of a units offering, at a price of $1,000 per unit, with each unit consisting of one (1) Series C Convertible Preferred share of no par value and 5,000 warrants to purchase Ordinary Shares. The gross proceeds from the sale of the units were $3,123,481. The warrants have a five-year term with an exercise price of $0.12. 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 is $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 shares and their fair value, using the Black Scholes options pricing model, is estimated to be $814,105, resulting in a fair value of $2,165,904 for the liability portion of the Series C Preferred shares. 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 is classified as a liability, and the discount will be amortized over the period from issuance to February 2016 (the redemption date) as a charge to interest expense.

In 2009 and 2010, the Company completed private placements for the sale of $1,703,880 in Senior Extendible Deferred Convertible Notes that bear interest at 10% per annum or at a 12.5% extended rate per annum with an extended maturity date of September 30, 2010 and a private placement for the sale of $1,500,000 in Extendible Deferred Convertible Notes that bear interest at 10% per annum or at a 12.5% extended rate per annum with an extended maturity date of February 6, 2011, respectively. The Company did not repay the 2009 Notes principal amount at the maturity on September 30, 2010 nor did it repay the principal amount of the 2010 Notes at maturity on February 6, 2011, and therefore the Company continued to incur interest expense at the default rate of 15% until the notes were retired on February 24, 2011 as part of a plan to recapitalize the Company.

Interest expense during the third quarter ended September 30, 2011 and 2010 totalled $121,524 and $219,070, respectively. Interest expense for the third quarter of 2011, includes non-cash amortization of debt offering costs, non-cash amortization of warrants, and accrued dividends on the $3,123,481 of Series C Preferred of $10,412, $47,835 and $62,983, respectively. Interest expense for the third quarter of 2010, includes non-cash amortization of debt offering costs, non-cash amortization of debt discount and cash interest expense of $34,055, $49,354, and $135,661, respectively.

Interest expense for the nine months ended September 30, 2011 and 2010 totalled $458,911 and $1,375,792, respectively. Interest expense for the nine months ended September 30, 2011, includes cash interest expense on the Company's 10% Extendible Deferred Convertible Notes that were repaid in February 2011, non-cash amortization of debt offering costs, non-cash amortization of warrants and accrued dividends on the $3,123,481 of Series C Preferred of $170,632, $25,090, $113,947 and $149,242, respectively. Interest expense for the nine months ended September 30, 2010, includes cash interest expense on the Company's 10% Extendible Deferred Convertible Notes that were repaid in February 2011, non-cash amortization of debt offering costs and non-cash amortization of debt discount of $324,707, 455,189 and $595,896, respectively.

(Expressed in U.S. Dollars)

Summary of Quarterly Results

	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
	(IFRS *) (unaudited)	(IFRS *) (unaudited)	(IFRS *) (unaudited)	(IFRS *) (unaudited)
Revenue	$ 446,817	$ 523,051	$ 572,643	$ 552,794
Net loss	$ (774,437)	$ (976,222)	$ (487,891)	$(1,107,603)
Net loss applicable to ordinary shares	$ (774,437)	$ (976,222)	$ (487,891)	$(1,107,603)
Basic and diluted net loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
	(IFRS *) unaudited)	(IFRS *) (unaudited)	(IFRS *) (unaudited)	(US GAAP**) (unaudited)
Revenue	$ 698,230	$ 888,815	$ 1,189,602	$ 1,340,975
Net loss	$ (365,759)	$ (568,251)	$ (1,100,289)	$(1,828,025)
Net loss applicable to ordinary shares	$ (365,759)	$ (568,251)	$ (1,100,289)	$(1,828,025)
Basic and diluted net loss per share	$ (0.00)	$ (0.01)	$ (0.00)	$ (0.03)

* Prepared in accordance with IFRS
** Prepared in accordance with US GAAP

Liquidity and Capital Resources

Recapitalization of the Company and Issuance of Series C Convertible Preferred Shares

The Company has incurred significant losses from operations and has funded these losses primarily through funds raised in its Initial Public Offering ("IPO") and from private placements of debt and equity securities.

On February 24, 2011, the Company completed a recapitalization of the Company (the Recapitalization"), in which it raised $2,816,897 in net proceeds from the sale of preferred stock, retired $2,932,780 of debt in exchange for ordinary shares in the Company (the "Ordinary Shares") and repaid $814,445 of trade payables in exchange for Ordinary Shares. The details of the Recapitalization activities are as follows:

- The sale of 3,123.481 shares of Series C Preferred at a price of $1,000 per unit, with each unit consisting of one (1) shares of no par value Series C Convertible Preferred Stock (the "Series C Preferred") and 5,000 warrants to purchase Ordinary Shares (the "2011 Warrants") (each one share of Series C Preferred and 5,000 warrants a "Unit" and collectively the "Units"). The gross proceeds from the sale of the Units were $3,123,481. Each Series C Preferred Share is convertible into 10,000 Ordinary Shares in the capital of the Company at a conversion price of $0.10 per share at any time before February 24,

2016. Each warrant is exercisable into one Ordinary Share in the capital of the Company at a price of $0.12 at any time before February 24, 2016.

- The Series C Preferred Shares mature on February 24, 2016 and may be repaid in cash or through the issuance of a 90-day promissory note on the maturity date. The 2011 Warrants are, at the option of the holder, exercisable on a cashless basis whereby the holder of the warrant will be entitled to receive that number of Ordinary Shares equivalent to the "in-the-money" value of the warrant divided by a minimum exercise price of $0.12 per Ordinary Share. The issuance of 30,288,769 Ordinary Shares, for repayment of $2,932,780 face amount of outstanding convertible notes. The remaining outstanding notes totalling $271,100 were paid in cash. The convertible notes consisted of $1,703,000 of notes issued in October and November of 2009 maturing in September 2010 (the "2009 Notes") and $1,500,000 of convertible notes (the "2010 Notes") outstanding with an extended maturity to February 2011. During the first quarter of 2011, a consent offer was made to the holders of the 2009 Notes and the 2010 Notes to exchange their notes for cash and Ordinary Shares. For each $1,000 original face amount of 2009 Note and the 2010 Notes, the holders received $200 in cash and that number of shares of our Ordinary Shares which is equal to the sum of $1,000 plus applicable accrued interest thereon as of the closing of the offer, divided by $0.10. Holders of $271,100 face amount of the 2009 Notes and the 2010 Notes chose not to participate in the exchange and were repaid in cash. As of February 24, 2011, all of the 2009 and 2010 Notes had been repaid.

- The Company repaid $814,345 of certain trade payables through the issuance of 8,143,450 Ordinary Shares (the "Vendor Ordinary Shares") at an issuance price of $0.10 per Ordinary Share.

- The Company paid the placement agent and other financial advisors $412,186 and issued 4,373,481 of warrants exercisable into one Ordinary Share in the capital of the Company at a price of $.12 per warrant. The warrants can be exercised at any time before February 24, 2016. In addition, the Company incurred $118,020 of inducement fees and expenses to assist with the convertibles notes and trade payables exchanges described above.

On November 8, 2011, the Company closed a private placement offering of units (the "Units"). We sold 8,333,333 Units at a price of $0.24 per Unit for aggregate gross proceeds of U.S. $2,000,000 (the "Units Offering"). Net proceeds from the Units Offering are estimated to be approximately $1,815,000. Each Unit consists of two ordinary shares in the capital of the Company (each, an "Ordinary Share") and two ordinary share purchase warrants (each, a "Warrant"). The first Warrant entitles the holder to purchase one additional Ordinary Share at a price of U.S.$0.15 at any time prior to 5:00 p.m. on November 8, 2016. The second Warrant entitles the holder to purchase one additional Ordinary Share at a price of U.S.$0.25 at any time prior to 5:00 p.m. on November 8, 2016.

The net proceeds from the Offering will be used to fund operating deficits, to hire and compensate additional personnel and for general working capital purposes.

(Expressed in U.S. Dollars)

Liquidity

As of September 30, 2011, cash and cash equivalents totalled $285,159 compared to $99,092 as of December 31, 2010.

During the nine months ended September 30, 2011 and 2010, we had cash outflows from operations of $2,099,412 and $1,573,466, respectively. The increase in cash used in operating activities, when comparing the two periods, was primarily a result of an increase in operating loss of $488,405 and a decrease in working capital of $37,541.

Cash flows used in investing activities increased to $56,102 for the nine months ended September 30, 2011 from $27,057 for the nine months ended September 30, 2010 as a result of an increase in capital expenditures.

Cash flows from financing activities totalled $2,341,591 and $1,345,916, respectively for the nine months periods ended September 30, 2011 and 2010, respectively, and are as follows:

	Nine Months Ended September 30,	
	2011	2010
Proceeds from issuance of Series C Preferred Stock and warrants issued, net of issuance costs ..	$ 2,816,897	$ —
Proceeds from issuance of 10% senior extendible deferred convertible notes and warrants, net (the 2010 Notes)	—	1,268,920
Repayment of Debt	(271,100)	—
Issuance costs related to conversion of debt and trade payables into ordinary shares	(267,799)	—
Change in restricted cash	61,057	79,168
Borrowing, capital lease obligation	6,000	—
Repayment of capital lease obligations	(3,464)	(2,172)
Net cash provided by financing activities...............	$ 2,341,591	$ 1,345,916

Commitments

On March 1, 2011, the Company entered into a three year data services agreement, which rate terms are effective on July 1, 2011 and are combined with an existing data services agreement with the same provider. The agreement requires the Company to pay the greater of actual data fees incurred or a fixed fee per month.

In July 2011, the Company entered into an agreement to lease office space in Denver, Colorado. The lease has a three year term with an option to extend the lease for an additional two years. The Company's minimum lease payments dues in one year and for years two and three are $86,750 and $233,050, respectively. The minimum lease payments are subject to changes based on final tenant improvements, which are to be included in the lease payments, and contracted payment adjustments to accommodate additional employees in the office space.

In July 2011, the Company entered into a five year agreement to lease telecommunications equipment. The monthly lease payments are $1,556 and the agreement includes a bargain purchase option at the end of the lease term. The minimum lease payments for 2011, 2012, 2013, 2014, 2015 and 2016 are $4,669, $18,676, $18,676, $18,676, $18,676 and $14,007. Respectively, which total $93,379.

On September 23, 2011, the Company entered into a consulting agreement with a third party to provide financial advisory services. The agreement is for a two month period with an option for the Company to extend the agreement for an additional month. The monthly payments are $25,000. The Company exercised its option to receive the additional month of services.

Capital Resources

The Company is in the early stages of executing its Desktop Partnering Strategy. In the first quarter of 2011, the Company began to implement the Desktop Partnering Strategy. As of the date of this report, the Company has negotiated partnering agreements with five anti-virus or other desktop software companies, which have their software installed on an estimated 34 million U.S. personal computers. The Company has integrated its services with three of these partners and the partners began to make our services to their U.S. customers in June, July and October of 2011. The Company anticipates that the two partners who have yet to launch our service will begin to do so in the fourth quarter of 2011 or early in the first quarter of 2012.

The Company estimates that it will require several quarters of working closely with each desktop software partner to fully integrate our products with their products and begin to generate significant customer registrations and ultimately new paying customers. The Company believes it will be successful in generating a significant increase in new customers and revenues through its Desktop Partnering Strategy and its currently projecting to achieve positive operating income in mid 2012. However, should the Company fail to achieve its projected sales and/or operating profit margins, or experience significant delays in the roll out of its new Partnering Strategy, it will likely require additional time and capital resources to achieve positive operating income.

On November 8, 2011, the Company closed its $2.0 million Units Offering. Net proceeds from the Units Offering are estimated to be approximately $1,815,000, which will be used to fund operating deficits, to hire and compensate additional personnel and for general working capital purposes. The Company believes it has sufficient liquidity to fund its operating losses and working capital needs until mid 2012 when the Company projects that it will reach positive operating income.

Outstanding Share Data

We are authorized to issue up to 450,000,000 Ordinary Shares and up to 450,000,000 preferred shares. As of September 30, 2011, we have the following equity securities outstanding:

Ordinary Shares

- 101,348,330 Ordinary Shares outstanding;
- 54,047,777 warrants, each of which is exercisable for one Ordinary Share at prices ranging from $0.10 to $0.48;
- 10,635,000 stock options, each of which is exercisable for one ordinary share at prices ranging from $0.27 to $0.60 per share; and
- 985,000 stock options, each of which is exercisable for one ordinary share at CDN$0.60 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. It is unlikely that we will receive any cash proceeds from the exercise of these warrants if they are exercised due to the aforementioned cashless exercise provisions.

Also, it is unlikely that we will receive any of the cash proceeds from the exercise of the stock options, if they are exercised, since the stock options contain a cashless exercise provision, which, upon certain conditions, permit the holder to exercise their stock options on a net cash exercise basis and receive ordinary shares without payment of any cash consideration.

Series C Preferred Stock

The Company has outstanding 3,123.481 shares of its Series C Preferred. The holders of the Series C Preferred have the right to convert each share of their Series C Preferred into 10,000 Ordinary Shares of the Company, or 31,234,810 Ordinary Shares. The Company has reserved 31,234,810 of its Ordinary Shares to effect the conversion of Series C Preferred. The Series C Preferred is considered to be mandatory redeemable shares and is classified as a liability on the Company's consolidated statement of financial position.

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

Off-balance Sheet Arrangements

Other than the office lease commitment described in Note 12 of the Company's September 30, 2011 unaudited consolidated financial statements and under the "Commitments " section above, the Company did not have any off-balance sheet arrangements as of September 30, 2011 or as of December 31, 2010.

Transactions with Related Parties

See Related Party Expense in the Results of Operations section of this report and in Note 6 of the Company's September 30, 2011 unaudited consolidated interim condensed financial statements for a description of transactions with related parties.

Contingencies

The Company is involved in various claims in the ordinary course of its business. In the opinion of management, the ultimate disposition of all of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

Transition to IFRS

In conjunction with the Company's annual audited consolidated financial statements to be issued under International Financial Reporting Standards ("IFRS") for the year ended December 31, 2011, the Company's condensed interim consolidated financial statements present Company's initial financial results of operations and financial position for the three and nine months ended September 30, 2011, including the 2010 comparative periods. The financial statements have been prepared in accordance with IFRS 1 "First-time Adoption of International

Financial Reporting Standards" and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The condensed interim consolidated financial statements do not include all the necessary annual disclosures in accordance with IFRS. Previously, the Company prepared its interim and annual consolidated financial statement in accordance with United States generally accepted accounting principles ("U.S. GAAP").

The preparation of the condensed interim consolidated financial statements resulted in selected changes to the Company's accounting policies as compared to those disclosed in the Company's annual audited consolidated financial statements for the period ended December 31, 2010 issued under U.S. GAAP. A summary of significant changes to the Company's accounting policies is disclosed in Note 4 of its unaudited consolidated interim condensed financial statements for the periods ended September 30, 2011, along with reconciliations presenting the impact of the transition to IFRS for the comparative periods including the following statements: statements of financial position as of January 1 and December 31, 2010, statements of operations for the three and nine months ended September 30, 2010, and statements of shareholders' equity (deficit) as of January 1 and December 31, 2010.

A summary of the Company's significant accounting policies under IFRS is presented in Note 3 of its unaudited consolidated interim condensed financial statements for the periods ended September 30, 2011. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1 as disclosed in Note 4 of its unaudited consolidated interim condensed financial statements for the periods ended September 30, 2011.

The condensed interim consolidated financial statements should be read in conjunction with the Company's U. S. GAAP annual audited consolidated financial statements for the year ended December 31, 2010.

Recently Adopted Accounting Pronouncements

The IASB issued a number of new and revised Internal Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011, For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods:

- IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets;
- IFRS 10, Consolidated Financial Statements, builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company;
- IFRS 11, Joint Arrangements, establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled;
- IFRS 12, Disclosure of Interest in Other Entities, provides the disclosure requirements

for interest held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities;

- IFRS 13, Fair Value Measurement, defines fair value, requires disclosure about fair value measurements and provide a framework for measuring fair value when it is required, or;

- IAS 27, Separate Financial Statements, revised the existing standard which addresses the presentation of parent company financial statements that are not consolidated financial statements; and

- IAS 28, Investments in Associate and Joint Ventures, revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

Only IFRS 9, IFRS 10 and IFRS 13 are applicable to the Company, and will become mandatory for the Company on January 1, 2013. The Company has not yet assessed the impact of the standards or determined whether it will adopt any of the standards early.

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 shares of its ordinary shares at an exercise price of $0.12 per share and received gross proceeds of $3,123,481. 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 $2,165,904 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 is classified as a liability, and the discount will be amortized over the period from issuance to February 2016 (the redemption date) as a charge to interest expense.

Forward-looking Statements

Our MD&A contains "forward-looking information" that is based on the Company's expectations, estimates and projections as of the dates as of which those statements were made. This forward-looking information includes, among other things, statements with respect to the Company's business and marketing strategies, plans, outlook, services, projections, targets and expectations as to future revenue, gross profit margins, liquidity and cash flow from operations, working capital requirements, projections regarding new customers, active customers and customer retention rates, currency exchange rates, expectations regarding industry trends, and competitive position in the marketplace. Generally, this forward-looking information can be identified by the use of forward-looking terminology such as "outlook", "anticipate", "project", "target", "believe", "estimate", "expect", "intend", "should", "scheduled", "will", "plan" and similar expressions. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to:

- Uncertainties related to and our limited operating history;
- Uncertainties associated with our ability to generate operating and net income;
- Uncertainties associated with our marketing and distribution strategies;
- Uncertainties associated with our ability to execute our Desktop Partnering Strategy;
- Uncertainties associated with market demand and acceptance of our services;
- Uncertainties associated with market competition;
- Uncertainties related to our ability to obtain additional funding on reasonable terms, if at all;
- Risks related to the loss of key data suppliers who provide us databases which enable us to provide our services to customers;
- Reliance on key personnel;
- Uncertainties associated with our ability to replace the customers we lose in the ordinary course of business;
- Uncertainties over future products we envisage from our Acxiom relationship may never achieve market acceptance;
- Risks related to operating in consumer information services regulated by federal and state laws of consumer data and consumer advertising;
- Risks related to a responsibility to secure active and former customer data from any potential data breach and any costs to compensate the customer for such breach;
- Risks related to system failures or interruptions in our telecommunications or information technology infrastructure;
- Uncertainties associated with continued weakness in U.S. economy;
- Reliance upon merchant banks to process credit card payments;
- Risks related to credit card payment processing rules and restrictions relating to excessive chargebacks;
- Uncertainties pertaining to our ability to protect our intellectual property including service marks, trademarks and patents;
- Uncertainties relating to claims from others that our intellectual property has infringed on the proprietary right of others;
- Changes in laws that allow consumers to access personal information records and give consumers the right to request correction of inaccurate records;
- Uncertainties related to claims by security holders that we haven't complied with certain intentions;

- Interpretations of insurance and credit services regulations that would cause our services to be subject to such regulations; and
- Uncertainties related to adequacy or effectiveness of internal controls.

A discussion of these and other factors that may affect our actual results, performance, achievements or financial position is contained in our filings with the Canadian provincial securities regulatory authorities. This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. Forward-looking statements contained in this MD&A are based on the beliefs, expectations and opinions of management on the date the statements are made, and the company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by law.