ID WATCHDOG, INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in U.S. Dollars)

ID WATCHDOG, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Shareholders of
ID Watchdog, Inc.

We have audited the accompanying consolidated financial statements of ID Watchdog, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2016, and the consolidated statements of comprehensive income (loss), changes in shareholders' deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ID Watchdog, Inc. and its subsidiaries as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of ID Watchdog, Inc. for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 2016.

Crowe MacKay LLP

Chartered Professional Accountants
Vancouver, British Columbia
March 30, 2017

ID WATCHDOG, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in U.S. Dollars)

	December 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash	$ 1,405,920	$ 1,069,289
Trade receivable, net of allowance of $7,068 and $6,513 (Note 5)	618,106	311,136
Prepaid expenses and other, net	304,139	170,434
Total current assets.	2,328,165	1,550,859
Property and equipment, net (Note 6)	214,026	155,995
Customer agreements, net	9,079	15,781
Total assets.	$ 2,551,270	$ 1,722,635
LIABILITIES		
Current liabilities:		
Accounts payable.	$ 590,769	$ 317,778
Accrued liabilities.	1,370,344	837,542
Deferred revenue	437,194	473,481
Revolving Facility (Note 7)	815,241	—
Term Loan – current portion (Note 7)	163,782	—
Litigation provision (Note 10)	—	350,000
Finance lease obligations – Current Portion (Note 7).	3,973	18,532
Total current liabilities.	3,381,303	1,997,333
Deferred rent.	15,208	26,860
Finance lease obligations, net of current portion (Note 7)	13,668	17,641
Term Loan, net of current portion (Note 7)	299,556	—
Series C mandatorily redeemable preferred shares, net of discount and conversion feature (Note 8)	—	5,042,709
Warrant liability (Note 13)	—	317,709
Total liabilities	3,709,735	7,402,252
SHAREHOLDERS' DEFICIT		
Share capital (Note 8, 11, 12 and 13):		
Preferred shares; 450,000,000 shares authorized		
Ordinary Shares; 450,000,000 no par value shares authorized:		
Ordinary Shares: 143,465,354 and 121,834,997 shares issued and outstanding	28,203,387	24,622,696
Contributed surplus	3,071,400	2,532,795
Warrants	1,411,599	1,649,064
Accumulated deficit…	(33,844,851)	(34,484,172)
Total shareholders' deficit.	(1,158,465)	(5,679,617)
Total liabilities and shareholders' deficit	$ 2,551,270	$ 1,722,635

General Business Description and Liquidity (Note 1)
Commitments (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

ID WATCHDOG, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in U.S. Dollars)

	Years Ended December 31,	
	2016	**2015**
Revenue	$ 10,281,308	$ 5,367,555
Cost of service (Note 16)	2,624,470	1,496,565
Gross profit	7,656,838	3,870,990
Operating expense:		
Benefit broker commission expense	2,418,027	930,084
General and administrative expense	2,260,978	1,418,033
Sales and marketing expense	1,458,800	878,365
Share – based compensation expense (Note 12)	539,504	58,796
Depreciation and amortization expense	73,644	46,259
	6,750,953	3,331,537
Operating income	905,885	539,453
Other income (expense):		
Interest expense, net (Note 7)	(421,409)	(937,885)
Litigation provision (Note 10)	(162,864)	(397,543)
Gain on warrant liability (Note 13)	317,709	81,609
Gain on disposition of assets	—	1,000
	(266,564)	(1,252,819)
Net income (loss) and comprehensive income (loss) applicable to ordinary shares	$ 639,321	$ (713,366)
Basic net income (loss) per share applicable to ordinary shares	$ 0.00	$ (0.01)
Weighted average number of shares outstanding – basic	137,903,885	121,834,997
Diluted net income (loss) per share applicable to ordinary shares	$ 0.00	$ (0.01)
Weighted average number of shares outstanding - diluted	141,685,304	121,834,997

The accompanying notes are an integral part of these consolidated financial statements.

ID WATCHDOG, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT
(Expressed in U.S. Dollars)

	Year ended December 31, 2015					
	Ordinary Shares	Ordinary Shares Amount	Contributed Surplus	Warrants	Accumulated Deficit	Total Shareholders' Deficit
Balance December 31, 2014........	121,834,997	$24,622,696	$2,473,999	$1,576,765	($33,770,806)	($5,097,346)
Net loss..	—	—	—	—	(713,366)	(713,366)
Share-based compensation expense………………………….	—	—	58,796	—	—	58,796
Warrants issued for amendment to Series C Preferred shares….	—	—	—	72,299	—	72,299
Balance, December 31, 2015……	121,834,997	$24,622,696	$2,532,795	$1,649,064	($34,484,172)	($5,679,617)

	Year ended December 31, 2016					
	Ordinary Shares	Ordinary Shares Amount	Contributed Surplus	Warrants	Accumulated Deficit	Total Shareholders' Deficit
Balance, December 31, 2015.......	121,834,997	$24,622,696	$2,532,795	$1,649,064	($34,484,172)	($5,679,617)
Net Income...................................	—	—	—	—	639,321	639,321
Share-based compensation expense.....................................	—	—	539,504	—	—	539,504
Exercise of Warrants	7,605,757	1,225,990	—	(237,465)	—	988,525
Ordinary Shares issued from Conversion of Series C Preferred Shares………………..	13,999,600	2,352,302	—	—	—	2,352,302
Exercise of Stock Options	25,000	2,399	(899)			1,500
Balance, December 31, 2016…...	143,465,354	$28,203,387	$3,071,400	$1,411,599	($33,844,851)	($1,158,465)

The accompanying notes are an integral part of these consolidated financial statements.

ID WATCHDOG, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Years Ended December 31,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	$ 639,321	$ (713,366)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	73,644	46,259
Share-based compensation expense to employees, directors and consultants	539,504	58,796
Interest expense - accrued dividends on Series C preferred shares, amortization of liquidation preferences, discount on warrants and debt offering	121,549	780,613
Amortization of credit facility fees	13,217	125,224
Gain on fair value adjustment to warrant liability	(317,709)	(81,609)
Loss from litigation	—	397,543
Gain on disposition of assets	—	(1,000)
Bad debt expense	555	4,950
Change in assets and liabilities:		
Increase in trade receivable	(307,525)	(147,484)
Increase in prepaid expenses and other	(133,705)	(46,817)
Increase in accounts payable and accrued liabilities	805,793	343,594
Increase (decrease) in deferred revenue	(36,287)	33,687
Decrease in litigation provision	(350,000)	(47,543)
Decrease in deferred rent	(11,652)	(1,580)
Net cash provided by operating activities	1,036,705	751,267
Cash flows from investing activities:		
Capital expenditures	(124,973)	(93,377)
Net cash used in investing activities	(124,973)	(93,377)
Cash flows from financing activities:		
Borrowings on Revolving Credit Facility	925,000	—
Borrowings on Term Loan	500,000	—
Repayment of Promissory Notes	(2,676,956)	—
Proceeds from the exercise of warrants and stock options	855,025	—
Credit Facility fees	(144,933)	(140,000)
Repayment of finance lease obligations	(18,532)	(15,931)
Repayment of borrowing on credit facility	(14,705)	(319,146)
Net cash used in financing activities	(575,101)	(475,077)
Net increase in cash	336,631	182,813
Cash, beginning of the year	1,069,289	886,476
Cash, end of the year	$ 1,405,920	$ 1,069,289

The accompanying notes are an integral part of these consolidated financial statements.

ID WATCHDOG, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Years Ended December 31,	
	2016	2015
Supplemental disclosure of cash flow information:		
Cash paid for interest..	$ 286,643	$ 32,048
Cash paid for income taxes..	—	—
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of Ordinary Shares upon conversion of Series C Preferred shares………………………………………………..	2,352,302	—
Issuance of Promissory Notes to redeem Series C Preferred Shares shares………………………………………..	2,811,956	—
Repayment of Promissory Note from offsetting receivable from warrant exercise………………………………………...	135,000	—
Credit facility fee discount..	—	10,000
Fair value of warrants issued to amend Series C Preferred.	—	72,299
Equipment acquired with financing lease………………......	—	21,297
Reallocation of fair value of warrants exercised……………	237,465	—
Reallocation of fair value of stock options exercised………	899	—

The accompanying notes are an integral part of these consolidated financial statements.

1. General Business Description and Liquidity

Business Description

ID Watchdog, Inc. ("ID Watchdog" or the "Company") provides a variety of identity theft detection and resolution services on a subscription basis to individual consumers in the United States through its wholly owned subsidiary, Identity Rehab Corporation ("ID Rehab"). The Company's address is 621 17th Street, Suite 2501, Denver, CO 80293.

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

The Company's ordinary shares (the "Ordinary Shares") are listed on the TSX Venture Exchange (the "TSXV") trading under the symbol "IDW" and are also traded "Over-the-Counter" under the symbol "IDWAF".

The accompanying consolidated financial statements include the results of operations of the Company and those of its wholly owned subsidiaries, ID Rehab and IDR Processing, LLC ("IDR"), formerly WDI Processing, LLC.

Liquidity

The Company has incurred significant net losses from its inception through December 31, 2015, and as of December 31, 2016, has an accumulated deficit of $33,844,851 and a working capital deficiency of $1,053,138. The Company has funded these losses primarily through funds raised in its Initial Public Offering and from private placements of debt and equity securities.

The Company will seek to grow its customer base primarily through the Employee Benefit Channel. The Company continues to actively expand its network of and broaden its relationship with employee benefit brokers who market its services to their employer clients for inclusion in the client's employee benefit plans primarily as a voluntary employee benefit.

As of December 31, 2016, our cash balances totaled $1,405,920. We are dependent upon our existing cash balances, along with our cash flow generated from operations, borrowings available on our revolving credit facility and additional equity financing, if available, to fund our debt service, expansion plans and other working capital needs.

The Company generated operating income and cash flows from operating activities of $905,885 and $1,036,705 for the year ended December 31, 2016, respectively. Given the Company's existing cash balances, projected cash provided by operating activities and borrowings available on our revolving credit facility, the Company believes it will have sufficient liquidity to fund its operating activities, capital expenditures, debt service and working capital needs for at least twelve months from December 31, 2016.

2. Basis of Presentation and Future Accounting Pronouncements

(a) Statement of Compliance

The consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were authorized for issue by the Audit Committee and the Board of Directors on March 30, 2017.

(b) Basis of Measurement

These consolidated financial statements have been prepared on a going concern basis using the historical cost convention, except as disclosed in the accounting policies below. These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, reported expenses, and statement of financial position classifications that would be necessary if going concern assumption was not appropriate. These adjustments could be material.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in U.S. dollars which is the Company's functional currency.

(d) 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 2 Share-based Compensation

In June 2016, The IASB published amendments to IFRS 2 – Share-based Compensation. The amendments clarify that the accounting for the effects of vesting and non-conditions on cash-settled share-based compensation follow the same approach as for equity-settled share-based compensation. The amendments also clarify the classification of share-based compensation transactions with net settlement features as well as requiring additional disclosures for theses transactions. They are effective for annual periods beginning on or after January 1, 2018 applied prospectively, with earlier adoption permitted. The amendments to IFRS 2 are not expected to have a significant impact on the consolidated financial statements of 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 the adoption date of January 1, 2018 for this IFRS with early adoption permitted. The Company will be required to adopt IFRS 9 in the future and has not fully assessed the impact of adopting IFRS 9.

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 periods beginning on or after January 1, 2018, with earlier adoption 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.

3. Significant Accounting Policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of ID Watchdog and its wholly-owned subsidiaries, ID Rehab and IDR. All significant intercompany accounts and transactions have been eliminated in consolidation.

(b) Cash

Cash consists of cash on hand and funds on deposit at banks. We utilize and invest with financial institutions that are sound and of high credit quality. Our investments are in low-risk instruments, and we limit our credit risk exposure in any one institution or type of investment instrument in accordance with the Company's investment policy criteria which includes consideration of the credit worthiness of the institution. At times, cash balances in these accounts may exceed federally insured limits.

(c) Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The cost consists of the purchase price and any costs directly attributable to bringing the asset to the location and condition for its intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within other income in profit or loss.

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

Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the term of the lease, whichever is shorter.

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

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technologically feasible to complete the software products so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probably future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software products are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Development costs that qualify for capitalization include both internal and external costs, but are limited to those that are directly related to the specific product. The capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

Internal use software development costs are amortized on a straight-line basis over three years. Amortization methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate.

(d) Intangible Assets – Customer Agreements

Customer agreements acquired as part of an asset purchase in exchange for the issuance of the Company's Ordinary Shares are accounted for in accordance with IFRS 2. A portion of the stock consideration paid was allocated to the fair value of certain of the acquired assets and the balance assigned to the customer agreements. Customer agreements are amortized using the straight-line method over a five-year useful life.

(e) Ordinary Shares

Ordinary Shares are classified as equity in the statements of financial position. Incremental costs directly attributable to the issuance of Ordinary Shares and share options are recognized as a deduction from equity, net of any tax effects.

Warrants have been issued in combination with the issuance of Ordinary Shares. In these instances, the warrants are valued using a fair value based method, whereby the fair value of the warrants are determined at the warrant issue date using a market-based option valuation model and the fair value is deducted from the gross proceeds of the combined offering in arriving at the value to be assigned to the Ordinary Shares. Any offering costs are allocated between the securities on a pro rata basis.

(f) Leases

Leases that transfer substantially all of the benefits and risks of ownership to the Company are accounted for at the commencement of the lease term as finance leases and recorded as property and equipment at the fair value of the leased asset, or, if lesser, at the present value of the minimum lease payments, together with an offsetting liability.

Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. All other leases are accounted for as operating leases and the lease costs are expensed as incurred.

(g) Transaction Costs

Deferred financing costs include loan fees paid to the lender, legal fees, filing and other fees required to secure the credit facility. When the financial liability is not carried at fair value through profit or loss, deferred financing costs that are directly attributable to the financial liability are deducted from the carrying value of the financial liability and are amortized over the life of the related debt instrument using the effective interest method or using the straight line method. The amortization of the deferred financing costs is included in interest expense in the consolidated statements of operations. When debt is repaid or settled prior to its maturity date, the write-off of the remaining unamortized transaction costs is also reported as interest expense.

Deferred financing costs are expensed when incurred when the financial liability is carried at fair value.

(h) Impairment of Long-lived Assets

Property, equipment and intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets that are not amortized or that are not yet available for use are subject to an annual impairment test. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of the asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrants such consideration.

(i) Financial Instruments

(i) *Classification and measurement*

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "loans and receivables", "available-for-sale", "held-to-maturity", or "financial liabilities measured at amortized cost" as defined by IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets and financial liabilities at "fair value through profit or loss" are measured at fair value with changes in fair value recognized in the statements of operations. Transaction costs are expensed when incurred.

The carrying value of cash approximates fair value because of their short-term nature.

Financial assets and financial liabilities classified as "loans and receivables", "held-to-maturity" or "financial liabilities measured at amortized cost" are measured at amortized cost using the effective interest method of amortization. "Loans and receivables" are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and

receivables are measured at amortized cost using the effective interest method less a provision for impairment. “Held-to-maturity” financial assets are non-derivative investments that an entity has the positive intention and ability to hold to maturity. “Financial liabilities measured at amortized cost” are those financial liabilities that are not designated as “fair value through profit or loss” and that are not derivatives. The Company has designated cash as “fair value through profit or loss”, trade receivable as “loans and receivables” and accounts payable, accrued liabilities, credit facility and term loan as “financial liabilities measured at amortized cost”. Convertible instruments are initially recognized with the liability component being recorded at fair value and the equity conversion feature recorded as the residual amount and recognized in equity. Transaction costs are allocated to the liability and equity components in proportion to the allocation of proceeds.

Financial liabilities are classified as current liabilities if the obligation is due to be settled within twelve months or in the Company’s normal operating cycle. Otherwise, they are presented as non-current liabilities.

(ii) Impairment

The Company assesses, as of each date of its statement of financial position, whether there is objective evidence that financial assets, other than those designated as “fair value through profit or loss” are impaired. When impairment has occurred, the cumulative loss is recognized in the statements of operations. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the financial asset’s original effective interest rate. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to the statements of operations in the period. Impairment losses may be reversed in subsequent periods.

(j) Warrants

The Company has issued warrants to purchase Ordinary Shares as described in Notes 8 and 13.

Certain of our warrants contained 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 have resulted 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 were exercised, expired or are permitted to be classified in shareholders’ equity.

(k) Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as a financial charge.

(l) Fair Value Measurement

A number of the Company's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining the fair values is disclosed in the notes specific to that asset or liability.

The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instruments:

- Level 1: Values based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2: Values based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Values based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The fair value of cash is based on Level 1 inputs and the fair value of the warrant liability is based on Level 3 inputs.

Any transfers between levels of the fair value hierarchy are deemed to occur on the date of the event or change in circumstances that caused the transfer.

(m) Revenue Recognition

Revenue represents the fair value of consideration received or receivable from customers for services provided by the Company. Revenues are recognized when a contractual arrangement is in place, the fee is fixed and determinable, the services have been provided, and collectability is reasonably assured.

Revenue for annual and multi-year subscriptions is deferred and recognized over the period of the subscription. Deferred revenue was $437,194 and $473,481 at December 31, 2016 and 2015, respectively, and is included in liabilities on the consolidated financial statements.

Employee Benefit Channel

The Company’s services are generally offered to consumers on a monthly subscription basis. Subscription fees are primarily billed to the employers of our customers who withhold the monthly subscription amount from the wages of each of the employees that is a subscriber to our services and remits to the Company the total amount withheld. In limited instances, subscription fees are billed to the employers who pay the subscription fees on behalf of their employees who are subscribers to our services. Revenue from subscriptions with a term that is greater than one month are deferred and recognized on a straight-line basis over the term of the subscription.

Tech Support Channel

In the Tech Support 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. 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.

We offer services to the customers acquired through this channel primarily on an annual, semi-annual or monthly subscription basis. Revenue from annual and semi-annual subscriptions is deferred and recognized on a straight-line basis over the term of the subscription.

Consumer Marketing Channel

We offer services to the customers acquired through the Consumer Marketing Channel over multi-year, annual, semi-annual terms or on a monthly subscription basis. Revenue from subscriptions with a term that is greater than one month are deferred and recognized on a straight-line basis over the term of the subscription. Substantially all of these customer’s subscription fees are billed directly to the customer’s credit card.

(n) Share-Based Compensation

The Company has a share-based compensation plan, which is described in Note 11, and grants options to certain employees, directors and consultants.

For equity-settled share-based compensation transactions with employees and directors, the Company estimates the fair value of the stock option grant on the grant date, based on the fair value of the equity instruments granted. For equity-settled share-based compensation transactions with consultants, the Company estimates the fair value of the services received based upon an estimate of their fair value. If the Company cannot estimate reliably the fair value of the services received, the Company measures the fair value of the stock option grant, indirectly, by reference to the fair value of the equity instruments granted.

The Company accounts for share-based compensation 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 the option. 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 statement of comprehensive income (loss) with a corresponding adjustment to contributed surplus.

Upon expiry, the fair value of unexercised options remains in contributed surplus.

(o) Income Taxes

Income tax is comprised of current and deferred tax. Income tax is recognized in the statements of operations, except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

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

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated financial statements date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax assets and liabilities are presented as non-current.

(p) Earnings per Share and Reserved Ordinary Shares

Basic net income (loss) per Ordinary Share is computed by dividing net income (loss) applicable to Ordinary Shares by the weighted-average number of Ordinary Shares outstanding for the period. Diluted earnings per Ordinary Share reflects the effect of all potentially dilutive ordinary share equivalents, including stock options and warrants to acquire Ordinary Shares. Those securities determined to be anti-dilutive as Ordinary Share equivalents are excluded from the calculation of diluted earnings per share.

As of December 31, 2016 and 2015, the following potentially dilutive securities have been excluded from the calculation of earnings per share, as the effect of including these securities would be anti-dilutive:

	As of December 31,	
	2016	2015
	(Equivalent Ordinary Shares)	
Series C Preferred	—	30,734,810
Warrants	160,000	40,999,486
Stock options	7,393,000	14,428,000
Total	7,553,000	86,162,296

(q) Significant Accounting Judgments 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 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 uncertainly that have a significant risk of causing a 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) 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.

(ii) 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:

(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 8.

(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 receivables.

(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.

(v) 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.

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

4. Financial Instruments and Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for discussing and monitoring the Company's risk management status at its regularly appointed Board meetings.

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

The Company's Audit Committee oversees how management monitors compliance with the Company's financial management policies and procedures, and reviews the adequacy of these policies annually, taking into account management letters issued by the Company's auditors. The Company does not have an internal audit function at this time.

The Company is exposed to credit, liquidity and interest rate 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.

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts 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, 2016, trade receivables that are considered past due (over 30 days past due from the date of the invoice) totaled $161,562. The gross trade receivables at December 31, 2016 and 2015, was $625,174 and $317,649, respectively. For the year ended December 31, 2016, the Company recorded an allowance for doubtful accounts of $7,068 (2015 - $6,513) and bad debt expense of $555 (2015 - $4,950)

(ii) Cash

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 anticipate any counterparty to fail to meet its obligations.

(b) 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, available cash balances and available borrowings under its 2016 Credit Facility.

The following table is a summary of the Company's debt maturities as of December 31, 2016:

	Term Loan	Revolving Credit Facility	Finance Leases	Total
2017	$ 176,471	$ 925,000	$ 3,973	$ 1,105,444
2018	176,471	—	4,318	180,789
2019	132,353	—	4,692	137,045
2020	—	—	4,658	4,658
Total	$ 485,295	$ 925,000	$ 17,641	$ 1,427,936

(c) 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.

(i) Interest rate risk

The Company is exposed to interest rate risk resulting from fluctuations in interest rates on its 2016 Credit Facility with rates which are generally based on the Prime Rate. The Company does not use derivative instruments to reduce its exposure to interest rate risk. The Company manages its interest rate risk by minimizing the outstanding borrowings on its Revolving Facility while maintaining the necessary liquidity to conduct its day-to-day operations.

The Company may also be exposed to fluctuations in long-term interest rates relative to the refinancing of its debt obligations upon maturity. The interest rate on new long-term debt issuances will be based on the prevailing rates at the time of the refinancing, and will also depend on the tenor of the new debt issued. There are no upcoming maturities that will require refinancing.

(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.

(d) Accounts Payable and Accrued Liabilities

All contractual maturities of accounts payable and accrued liabilities are due within one year.

(e) Capital Management

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its organic growth strategy and to undertake selective acquisitions, while at the same time taking a prudent approach towards financial leverage and management of financial risk.

The Company's primary sources of capital during 2016 were funds generated from operating activities, which totaled $1,023,488 and borrowings under its 2016 Credit Facility. This capital was used primarily to repay promissory notes and for capital expenditures. Except for the restrictive covenants associated with the Company's 2016 Credit Facility, the Company is not subject to any other externally imposed capital requirements.

For the purpose of the Company's capital management, capital includes the following:

	Years ended December 31,	
	2016	**2015**
Working Capital (deficiency)	$ (1,053,138)	$ (446,474)
2016 Credit Facility, current and long-term	1,278,579	—
Finance leases, current and long-term	17,641	36,173
Series C Preferred	—	5,042,709
Shareholders' deficit	(1,158,465)	(5,679,617)
Totals	$ (915,383)	$ (1,047,209)

The Company's objective is to fund its organic growth from its cash flow from operating activities, which should continue to increase as the Company's revenues increase. The Company manages its

capital by continuously monitoring actual and projected cash flows, taking into account projected sales, receipts, expenditures and the maturity of its various financial obligations. There have been no significant changes in the Company's capital management policies for the year ended December 31, 2016.

5. Accounts Receivable and Allowance for Doubtful Accounts

Allowance for doubtful accounts and past due receivables are reviewed by management on a monthly basis including at each statement of financial position reporting date. The Company updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of account receivable balances of each customer taking into account historic collection trends of past due accounts. Accounts are written-off once determined not to be collectable. Subsequent recoveries of amounts previously written off are credited to the income statement.

The accounts receivable and allowance for doubtful account balances were as follows:

	As of December 31,	
	2016	**2015**
Gross Accounts Receivable	$ 625,174	$ 317,649
Less allowance	(7,068)	(6,513)
Balance, end of the year	$ 618,106	$ 311,136

The changes in the allowance for doubtful accounts were are follows:

	Years Ended December 31,	
	2016	**2015**
Balance, beginning of the year	$ 6,513	$ 1,563
Bad debt expense	555	4,950
Balance, end of the year	$ 7,068	$ 6,513

6. Property and Equipment

The Company's property and equipment consist of computer hardware, computer software, office equipment, furniture, leasehold improvements and internally developed software.

Depreciation and amortization expense for property and equipment for the years ended December 31, 2016 and 2015 were $66,942 and $39,558, respectively, and are included in depreciation and amortization expense in the consolidated statements of operations.

Cost

	Computer Hardware	Computer Software	Office Equipment	Furniture	Leasehold Improvements	Internal Developed Software	Total
Balance at December 31, 2014	$102,503	$744,547	$107,777	$59,797	$21,331	$ -	$1,035,955
Additions ……………………...	25,358	58,976	27,992	3,348	-	-	115,674
Balance at December 31, 2015	127,861	803,523	135,769	63,145	21,331	-	1,151,629
Additions ………………………	58,429	-	2,890	7,391	3,401	52,862	124,973
Deletions ……………………...	-	-	(6,000)	-	-	-	(6,000)
Balance at December 31, 2016	$186,290	$803,523	$132,659	$70,536	$24,732	$52,862	$1,270,602

Accumulated Depreciation and Amortization

	Computer Hardware	Computer Software	Office Equipment	Furniture	Leasehold Improvements	Internal Developed Software	Total
Balance at December 31, 2014	$(90,512)	$(741,450)	$(79,924)	$(43,088)	$(1,102)	$ -	$(956,076)
Depreciation and amortization for the period ……………..…..	(8,740)	(3,050)	(16,557)	(4,648)	(6,563)	-	(39,558)
Balance at December 31, 2015	(99,252)	(744,500)	(96,481)	(47,736)	(7,665)	-	(995,634)
Depreciation and amortization for the period ……………..….	(23,382)	(12,635)	(17,700)	(5,521)	(7,704)	-	(66,942)
Deletions ……………………...	-	-	6,000	-	-	-	6,000
Balance at December 31, 2016	$(122,634)	$(757,135)	$(108,181)	$(53,257)	$(15,369)	-	$(1,056,576)

	Computer Hardware	Computer Software	Office Equipment	Furniture	Leasehold Improvements	Internal Developed Software	Total
Net Book Value:							
At December 31, 2015…………...	$ 28,609	$ 59,023	$ 39,288	$ 15,409	$ 13,666	$ -	$ 155,995
At December 31, 2016……………	$ 63,656	$ 46,388	$ 24,478	$ 17,279	$ 9,363	$ 52,862	$ 214,026
Cost of fully depreciated assets:							
At December 31, 2015……………	$ 87,119	$ 739,664	$ 38,286	$ 34,102	$ -	$ -	$ 899,171
At December 31, 2016………….....	$ 91,203	$ 744,985	$ 98,451	$ 44,883	$ -	$ -	$ 979,522
Gain on sales for the year:							
Ended December 31, 2015………	$ -	$ -	$ (1,000)	$ -	$ -	$ -	$ (1,000)

Assets under financing leases and tenant improvements included in property and equipment are as follows:

	Years Ended December 31,	
	2016	**2015**
Cost……………………………………........	$ 116,286	$ 112,855
Accumulated amortization…………………	(90,012)	(67,495)
Net book value………………………………	$ 26,274	$ 45,360

7. Debt

Credit Facility

On September 30, 2016, the Company entered in to a $3.0 million credit facility with a commercial lender (the "2016 Credit Facility"). The 2016 Credit Facility consist of a $2.5 million revolving credit facility (the "Revolving Facility") and a $500,000 term loan (the "Term Loan").

The Revolving Facility and Term Loan mature on September 30, 2018 and September 30, 2019, respectively, bear interest at the prime rate (the prime rate of interest per annum published in the money rates section of The Wall Street Journal or any successor publication thereto as the "Prime Rate") plus 3.00% (6.75% at December 31, 2016), and are collateralized by all the assets of the Company.

The 2016 Credit Facility requires that the Company maintain certain financial covenants including a fixed charge coverage ratio, a minimum level of liquidity and a maximum senior debt leverage ratio. The Company may borrow on the Revolving Facility an amount equal to the lesser of $2,500,000 or the product of 2.5 times the Company's Employee Benefit Channel revenue recognized in the preceding month. As of December 31, 2016, $990,000 was available to borrow under the Revolving Facility and the Company was in compliance with all the covenants under the loan agreement governing the 2016 Credit Facility.

In addition, the loan agreement contains restrictive covenants, including restrictions on the incurrence of additional indebtedness, the payment of dividends and other payment restrictions, the creation of liens, mergers, the sales of assets, transactions with affiliates, business activities and other restrictions.

Borrowing on the 2016 Credit Facility, which were used to repay the Promissory Notes (see Note 8).

At December 31, 2016, the Company's borrowings consisted of the following:

	Borrowings	**Credit Facility Fees**	**Borrowings, net of fees**
Current borrowings:			
Current portion of Revolving Credit Facility…	$ 925,000	$ (109,759)	$ 815,241
Current portion of Term Loan………………...	176,471	(12,689)	163,782
Long-term borrowings:			
Term Loan…………………………………...…….	308,824	(9,268)	299,556
Total	$ 1,410,295	$ (131,716)	$ 1,278,579

In June 2015, the Company repaid all the outstanding principal, a prepayment fee and interest due on a credit facility it entered into in 2013, which totaled $250,054, and terminated the credit facility.

Except for the finance leases described below, the Company had no other outstanding borrowings at December 31, 2015.

Finance Leases

The Company's minimum lease payments under its financing leases are as follows:

	December 31, 2016		December 31, 2015	
	Present Value	Future Value	Present Value	Future Value
Within one year……………………	$ 3,973	$ 5,296	$ 18,532	$ 21,038
After one year……………………	13,668	15,446	17,641	20,742
Total………………………………	$ 17,641	$ 20,742	$ 36,173	$ 41,780

In December 2015, the Company entered into a five-year agreement to lease an office copier. The monthly lease payments are $441 and the agreement includes a bargain purchase option at the end of the lease term.

In July 2011, the Company entered into a five-year agreement to lease telecommunications equipment with monthly lease payments of $1,574, and included a bargain purchase option at the end of the lease term which the company exercised.

Interest Expense

Interest expense for the years ended December 31, 2016 and 2015 consists of the following:

	Years Ended December 31,	
	2016	2015
Accrued dividends on Series C Preferred.	$ 37,052	$ 245,878
Accretion of Series C Preferred liquidation preference.	25,928	172,048
Amortization of discount related to fair value of Series C Preferred detachable warrants.	28,383	188,347
Amortization of offering costs.	17,317	114,910
Amortization of discount related to Series C Preferred amendment warrants………………………………………….	12,869	59,430
Interest expense on Promissory Notes…………………………	284,388	—
Interest expense on financing leases and other debt, net.	2,255	32,048
Amortization of deferred financing fees………………………..	13,217	125,224
Total…………………………………………………………..	$ 421,409	$ 937,885

The amortization of deferred financing fees in the above table for the year ended December, 31 2015, includes the write-off of $63,666 fees that were expensed when the credit facility was repaid and terminated in 2015.

8. Series C Mandatorily Redeemable Convertible Preferred Stock and Warrants

Series C Preferred

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 Ordinary Shares of the Company at an exercise price of $0.12 per share, and received $3,123,481 in gross proceeds. The holders of the Series C Preferred had 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 in total. The Series C Preferred shares accrued dividends at 8% per annum on the sum of the issue price of $1,000 per share.

In 2012, holders of 50 Series C Preferred shares elected to convert their Series C Preferred shares into 500,000 Ordinary Shares. As a result, as of December 31, 2015, the Series C Preferred shares outstanding and the Series C Preferred liability were 3,073.481 and $5,042,709, respectively.

In accordance with IAS 32, the Company estimated the fair value of the liability component of the Series C Preferred 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. Warrants were issued with the Series C Preferred and their fair value, using the Black Scholes options pricing model, was estimated to be $814,105, resulting in a fair value of $2,163,904 for the liability portion of the Series C Preferred. 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 assumptions used in the Black-Scholes model were as follows: (1) dividend yield of 0%; (2) expected volatility of 115%, (3) weighted average risk-free interest rate of 2.19%, (4) expected life of 5.0 years, and (5) fair value of the Company's Ordinary Shares of $0.13 per share. The amounts attributable to the warrants and the equity conversion feature aggregating $957,577 were recorded as a discount and deducted from the face value of the preferred stock in the accompanying consolidated statements of financial position. The Series C Preferred and the related warrants are classified as liabilities, and the discount for the warrants and equity conversion feature will be amortized over the period from issuance to February 2016 (the redemption date) as a charge to interest expense.

Amendment to Series C Preferred and Issuance of Warrants

On April 13, 2015, the Company held a meeting of the holders its Series C Preferred shares for the sole purpose of considering and passing a resolution to extend the maturity of any promissory notes issued to redeem Series C Preferred shares as described in the "Maturity and Mandatory Redemption" section below, from 90 days after the Maturity Date to November 22, 2017. The resolution was approved at the meeting by the holders of the Series C Preferred.

As consideration for the Series C Preferred shareholders who provided a valid proxy and voting in favor of the resolution on April 21, 2015, the Company issued to these holders warrants to purchase 2,493,085 Ordinary Shares of the Company, at an exercise price of $0.10 per Ordinary Share and a having a three-year term. In addition, a holder who voted in favor of the resolution, but did not qualify to receive a warrant, received cash consideration totaling $80.

Maturity and Mandatory Redemption

The Series C Preferred shares matured on February 24, 2016 (the "Maturity Date"). Any Series C Preferred shares outstanding on February 24, 2016 were subject to Mandatory Redemption at a price equal to 120% times the sum of original issue price of $1,000 per share plus any accrued and unpaid dividends the "Liquidation Preference Amount", which the Company could pay either in cash from available legal surplus or, in the absence thereof, by delivery of a senior note with an interest rate of

15% per annum paid on a quarterly basis and a maturity date of November 22, 2017 (the “Promissory Notes”). The Promissory Notes could be repaid at any time without penalty.

Conversion and Mandatory Redemption of Series C Preferred

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 Promissory Notes with a total principal amount of $2,811,956. Also, one of the Promissory Notes was reduced by $60,000 in exchange for the Company reducing by the same amount the required payment on the exercise of certain warrants.

9. Commitments

As of December 31, 2016, the Company has commitments under various data provider agreements, a lease for office space and service contract obligations for operating expenses through the expiration of the obligations in the aggregate of:

Year	Data Providers	Operating Leases	Other	Total Commitments
2017	$ 315,000	$ 99,342	$ 28,640	$ 442,982
2018	67,000	8,295	19,600	94,895
2019	15,000	—	14,700	29,700
Totals	$ 397,000	$ 107,637	$ 62,940	$ 567,577

10. Litigation Provision

Effective November 21, 2014, the Company terminated a sales affiliate relationship (the “Sales Affiliate”) in its Tech Support Channel.

On October 12, 2015, the Sales Affiliate filed a complaint against the Company in U.S. District Court alleging it was due approximately $600,000 plus future amounts for unpaid fees and customer subscription renewals. The Sales Affiliate’s claim was based on an estimate of subscription renewals subsequent to termination (the “Subscription Renewals”). Subsequent to the filing of the complaint, the Sales Affiliate provided a revised estimate of the Subscription Renewals claim in an amount of $705,000.

On August 3, 2016, the Company and the Sales Affiliate entered into a settlement agreement, whereby the Company agreed to make a one-time payment to the Sales Affiliate in the amount of $425,000 in return for a full mutual release and a dismissal of the lawsuit within ten days from the date of the settlement agreement.

Through August 3, 2016 the Company recorded a litigation provision in its consolidated statements of financial position, which represented management’s best estimate of the costs to defend and resolve these claims.

The changes to the provision during the years ended December 31, 2016 and 2015 are as follows:

	2016	2015
Beginning Balance……………..……………………	$ 350,000	$ —
Increase in provision…………………………………	162,864	397,543
Amounts charged against provision………………..	(512,864)	(47,543)
Ending Balance………………………………………	$ —	$ 350,000

The increase in the provision for the year ended December 31 2016, was primarily due to an increase in the estimated amount of legal fees to be incurred to resolve these claims. Also, the amounts charged against the provision for the year ended December 31, 2016, include a portion of the settlement amount described above and legal fees incurred by the Company to defend against this claim.

11. Stock Options

On September 18, 2008, the Company adopted the ID Watchdog Stock Option Plan (the "Plan") authorizing a pool of up to 7.2 million stock options available for grant to employees and consultants of the Company. On January 8, 2010, shareholders of the Company voted to amend the Plan to authorize up to 12 million stock options available for grant, authorize a cashless exercise provision and other provisions to the Plan.

On February 23, 2012, the Company held a shareholders' meeting whereupon the shareholders approved the following amendments to the Company's Plan:

(1) An increase in the number of Ordinary Shares which may be reserved for issuance pursuant to the exercise of options from 12,000,000 to 20,000,000, and
(2) An increase in the number of Ordinary Shares that may be reserved for issuance pursuant to options granted to Insiders (as defined in TSVX Policy 1.0) from 10% to 15% of issued Ordinary Shares. Under TSXV policy, the latter proposal required "disinterested shareholder approval," whereby shares held by the Company's existing Insiders and their Associates (as defined in TSXV Policy 1.1) are excluded from voting.

The exercise prices of the options granted are determined by the Nominating Corporate Governance and Compensation Committee, which members are appointed by the Board of Directors, and are generally established at or above the closing price of the Company's Ordinary Shares on the TSXV on the date of grant. Options granted may have a term of up to ten years but will generally expire in five to seven years from the grant date and vest in accordance with the terms of the specific option agreement. All share-based employee compensation will be settled in newly issued shares.

Employee options generally vest over 18 to 36 months as long as the optionee remains in the Company's employ. Options granted to members of the Board of Directors generally vest immediately and options granted to consultants generally vest over a period of one to 60 months. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Share-based compensation costs are expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

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

represents the period of time that the stock options granted are expected to be outstanding. 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 stock options. As the Company does not pay dividends, the dividend yield variable in the Black-Scholes model is zero.

The following table summarizes the assumptions used to value stock options granted during the years ended December 31, 2016 and 2015:

	Years Ended December 31,	
	2016	2015
Weighted average exercise price……….………………..	$ 0.14	$ 0.06
Expected term…………………………………………..	0.25-4 years	3.0 years
Weighted average estimated volatility…...……………..	132%	144%
Weighted average risk-free interest rate……………….	0.77%	1.42%
Dividend yield…………………………………………..	0%	0%
Estimated forfeiture rate……………………………….	0%-15.0%	15.0%
Total fair value………………………………………….	$ 818,266	$ 60,513
Weighted average grant date fair value per option……	$ 0.10	$ 0.036
Weighted average share price at grant date…………..	$ 0.14	$ 0.047

A summary of options activity under the Plan for the years ended December 31, 2016 and 2015 is as follows:

	Years Ended December 31,			
	2016		2015	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year...….	14,428,000	$ 0.14	13,283,000	$ 0.15
Granted…………………………….	8,393,000	0.14	1,705,000	0.06
Expired/ Forfeited…………………	(4,270,000)	(0.24)	(560,000)	(0.14)
Exercised (1)..…………………….	(25,000)	(0.06)	—	—
Outstanding, end of year...…………	18,526,000	$ 0.12	14,428,000	$ 0.14
Exercisable, end of year……………	13,021,557	$ 0.11	11,868,226	$ 0.15

As of December 31, 2016 and 2015, the Company has reserved 18,526,000 and 14,428,000 Ordinary Shares, respectively, for future issuance for the stock options listed above.

(1) The trading price of the Company's Ordinary Shares was $0.15 per share on the date the stock options were exercised.

2016 Activity

On January 1, 2016, the Company retained a consultant (the "Consultant") to provide investor relations services to the Company for a period of three months, which would be automatically extended for one month periods unless terminated by either party by providing 15 days written notice to the other party. The agreement was terminated effective April 30, 2016. The Consultant received $5,000 per month for his services and, in addition, was granted an option to purchase 1,000,000 of the Company's Ordinary Shares. The options have an exercise price of $0.11 per Ordinary Share, vest at a rate of 25% per calendar quarter during the term of the agreement and are subject to the terms and conditions of the Company's stock option plan and the policies of the TSXV. As of April 30, 2016, the termination date, 250,000 of the options had vested and were exercisable.

On June 14, 2016, the Company granted to employees of the Company stock options to acquire an aggregate of 7,393,000 Ordinary Shares. Such options are exercisable at a price of $0.14 per Ordinary Share, expire seven years from the date of grant and are subject to the terms and conditions of the Plan.

2015 Activity

Grants

On June 29, 2015, the Company granted to employees of the Company stock options to acquire an aggregate of 480,000 Ordinary Shares. Such options are exercisable at a price of $0.06 per Ordinary Share, expire seven years from the date of grant and are subject to the terms and conditions of the Plan.

On October 6, 2015, the Company granted additional stock options to employees to acquire an aggregate of 1,225,000 Ordinary Shares. The options are exercisable at $0.06 per Ordinary Share, expire seven years from the date of grant and are subject to the terms and conditions of the Plan.

A summary of stock options outstanding and exercisable at December 31, 2016 follows:

	Stock Options Outstanding		Stock Options Exercisable
Exercise Prices	Number of Shares	Weighted Average Remaining Contractual Term (In years)	Number of Shares
$0.06-$0.10 (1)…………………	7,558,000	4.13	6,640,222
$0.11-$0.14……………………	10,968,000	5.18	6,381,335
	18,526,000	4.75	13,021,557

(1) Subsequent to the year ended December 31, 2016, 300,000 stock options exercisable at $0.10 expired unexercised.

12. Share-based Compensation Expense

A summary of share-based compensation expense follows:

	Years Ended December 31,	
	2016	**2015**
Share-based compensation expense – employees and directors………................	$ 524,226	$ 58,796
Share-based compensation expense – consultants...	15,278	—
Total share-based compensation expense...	$ 539,504	$ 58,796

13. Warrants

The following are the assumptions used to value the warrants granted during the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	**2015**
Share price……………..……………………..	$ —	$ 0.04
Expected term……………………………………	—	3.0
Estimated volatility……………………………….	—	147%
Risk-free interest rate……………………………	—	1.63%
Dividend yield…………………………………..	—	0%
Weighted average fair value of the warrants issued…………………………………………..	$ —	$ 0.029

The Company did not issue any warrants for the year ended December 31, 2016. The Company issued 2,493,085 warrants during the year ended December 31, 2015 (See Note 8).

The following table present the composition of warrants outstanding as of December 31, 2016:

Exercise Prices	**Shares**	**Weighted Average Remaining Contractual Term** (years)
$0.10-$0.15(1)………………………………	2,653,085	1.22
$0.21-$0.25(2)………………………………	160,000	0.04
	2,813,085	1.15

(1) Subsequent to the year ended December 31, 2016, 160,000 warrants were exercised on "cashless basis" and the holder received 15,422 Ordinary Shares.
(2) Subsequent to the year ended December 31, 2016, these warrants expired unexercised.

A summary of warrant activity for the years ended December 31, 2016 and 2015 follows:

	Year Ended December 31,			
	2016		2015	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	40,999,486	$ 0.15	48,294,241	$ 0.18
Issued	—	—	2,493,085	0.10
Exercised	(11,582,701)	(0.14)	—	—
Expired	(26,603,700)	(0.16)	(9,787,840)	(0.26)
Outstanding, end of year	2,813,085	$ 0.11	40,999,486	$ 0.15

As of December 31, 2016 and 2015, the Company has reserved 2,813,085 and 40,999,486 Ordinary Shares, respectively, for future issuance for the warrants listed above.

2016 Activity

On November 8, 2011, the Company completed a private placement of its Ordinary Shares and also issued 9,887,182 and 8,333,333 warrants with exercises prices of $0.15 and $0.25, respectively, both with an expiration date of November 8, 2016 (the “2011 Warrants”). Prior to expiration, holders exercised 3,270,167 of the 2011 Warrants, received 3,270,167 Ordinary Shares and the Company received $490,525 of total consideration which included $415,525 of cash and $75,000 as a reduction of a Promissory Note. In additional, holders of the 2011 Warrants elected a “cashless exercise” of 4,162,534 of the 2011 Warrants and were issued 185,590 Ordinary Shares.

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 total consideration, which included $438,000 of cash proceeds and $60,000 as a reduction of a Promissory Note (see Note 8).

2015 Activity

On April 21, 2015, the Company issued certain holders of its Series C Preferred shares warrants to purchase 2,493,085 Ordinary Shares of the Company with an exercise price of $0.10 per Ordinary Share and a three year term (see Note 8).

Warrant Liability

Certain of the Company’s warrant agreements, which expired on February 24, 2016, contained anti-dilution provisions that could have caused the exercise price of the warrant to decrease in the event that Company issued equity securities at a price lower than the existing warrant exercise price. As of December 31, 2016, and December 31, 2015, nil and 19,965,886 warrants with exercise prices of $0.12 per Ordinary Share included such anti-dilution provisions. Because of the nature of these anti-dilution provisions, the Company was required to reflect these warrants on the consolidated statement of financial position as a liability at their fair value. At December 31, 2015, the warrant liability totaled $317,709.

The following table summarizes the assumptions used to value the warrant liability as of December 31, 2015:

	December 31, 2015
Exercise price	$ 0.12
Ordinary Share price	$ 0.10
Expected term	0.15 years
Estimated volatility	143%
Risk-free interest rate	1.81%
Dividend yield	0%
Total fair value	$ 317,709

14. Earnings Per Share

The following table reconciles the net income (loss) attributable to Ordinary Shares and the weighted average number of shares outstanding used in computing basic earnings per share to weighted average number of shares outstanding used in computing diluted earnings per share.

	December 31,	
	2016	2015
Weighted average number of shares outstanding used in computing basic earnings per share	137,903,884	121,834,997
Dilutive effect of stock options	3,081,921	—
Dilutive effect of warrants	699,499	—
Weighted average number of shares outstanding used in computing diluted earnings per share	**141,685,304**	**121,834,997**

	December 31,	
	2016	2015
Net income (loss) and comprehensive income (loss) applicable to Ordinary Shares	$ 639,321	$ (713,366)
Impact of assumed dilution	—	—
Net income (loss) adjusted for dilutive effect	**$ 639,321**	**$ (713,366)**

For the year ended December 31, 2015, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of certain stock options (Note 11) as well as warrants (Note 13) that are not in the money as they are not dilutive.

15. Significant Customers

For the years ended December 31, 2016 and 2015, the Company's recorded revenues of $1,555,683, or 15.1%, and $1,181,977, or 22.0%, respectively, from its largest customer. As of December 31, 2016 and 2015, the trade receivable due from this customer was $61,225 and $36,086, respectively. No other customers accounted for more than 10% of the Company's total revenues.

16. Cost of Service

Cost of service includes the following major categories of expenses:

	Years Ended December 31,	
	2016	2015
Data cost	$ 1,597,729	$ 740,769
Personnel related expenses	639,880	445,490
Other	386,861	310,306
Total	$ 2,624,470	$ 1,496,565

17. Key Management Personnel Compensation

Remuneration paid to key management personnel is as follows:

	Years ended December 31,	
	2016	2015
Salaries and other employee benefits	$ 693,522	$ 564,660
Share-based compensation	459,989	37,541
	$ 1,153,511	$ 602,201

Members of the Company's Board of Directors receive stock option grants, but no other remuneration is paid to the members of the Board of Directors. Share-based compensation expense for members of the Board of Directors recognized as expense during the years ended December 31, 2016 and 2015 was $215,346 and nil, respectively.

18. Benefit Plan

During 2006, the Company established a 401(k) plan (the "401(k) Plan"), which provides retirement savings options for all eligible employees. The Company makes discretionary matching contributions based on the participants' eligible wages. During the years ended December 31, 2016 and 2015, the Company made matching contributions for all employees of $50,703 and $32,839, respectively, and for key management personnel of $18,282 and $13,797, respectively.

Effective January 1, 2014, the Company amended the 401(k) Plan to meet the requirements for a Safe Harbor Cash or Deferred Profit Sharing Plan under Internal Revenue Code sections 401 (k) (12) and 401(m) (11), which allows for adjustments to the employer contribution and the vesting of these contributions for 2016 and 2015.

19. Income Taxes

The Company's provision for income taxes during the years ended December 31, 2016 and 2015 were different from the amount expected by applying the statutory federal income tax rate to the Company's net loss as reported in the consolidated statement of comprehensive income (loss). The approximate differences are as follows:

	Years ended December 31,	
	2016	**2015**
Expected tax provision (benefit) computed at Federal statutory rate (35%)	$ 224,000	$ (250,000)
Expected state tax provision benefit (4.63%), net	30,000	(21,000)
Effect of permanent differences	50,000	236,000
Other	(498,000)	—
Increase in tax benefits not recognized	194,000	35,000
	$ —	$ —

Deferred tax assets consisted of the following at December 31, 2016 and 2015:

	December 31, 2015	**Recognized in Profit and Loss**	**Recognized in Equity**	**December 31, 2016**
Non-capital losses	$ 10,062,000	$ 121,000	$ —	$ 10,183,000
Share-based compensation	788,000	248,000	—	1,036,000
Warrants	122,000	(85,000)	—	37,000
Property and equipment	28,000	6,000	—	34,000
Litigation provision	151,000	(151,000)	—	—
Other	231,000	55,000	—	286,000
Deferred tax benefits not recognized	(11,382,000)	(194,000)	—	(11,576,000)
Outstanding, end of year	$ —	$ —	$ —	$ —

At December 31, 2016, the Company has net operating loss carryforwards of approximately $25,696,000 which, if not utilized, begin to expire in 2027. As a result of certain changes in the Company's ownership, the future utilization of the net operating loss and credit carryforwards may be limited under Internal Revenue Code Section 382. As the Company is unable to determine the probability that future taxable income of the Company will be sufficient to utilize the net operating loss carryforwards, no deferred tax assets has been recognized as of December 31, 2016 and 2015.

The Company files income tax returns in the U.S. federal jurisdiction and the State of Colorado. The Company is subject to U.S. federal examination for years 2013 through 2015 and state examination for 2012 through 2015. Management does not believe there will be any material changes in its uncertain tax positions over the next twelve months.

20. Related Party Transactions

During the first quarter of 2016, certain key management personnel elected to convert 44.5 Series C Preferred shares they owned to Ordinary Shares and were issued 445,000 Ordinary Shares. The remaining 80.5 Series C Preferred shares owned by these individuals were redeemed by the Company upon Maturity and the key management personnel were issued Promissory Notes with a principal amount totaling $135,261. Interest expense on these notes totaled $15,231 for the year ended December 31, 2016. In addition, these individuals paid to the Company $75,000 to exercise 625,000 of the $0.12 Warrants and were issued 625,000 Ordinary Shares.

Also during the first quarter of 2016, 959.185 Series C Preferred shares that were owned by an entity in which a member of the Company's Board of Directors (the "Director") has an economic interest in as well as certain voting rights over, were redeemed by the Company upon Maturity through the issuance of a Promissory Note with the principal amount of $1,611,683. Interest expense on this note totaled $165,584 for the year ended December 31, 2016. This Promissory Note and the related accrued interest was repaid in October 2016.

In 2015, the CEO and CFO were issued 50,000 and 75,000 warrants with an exercise price of $0.10 per share and a three-year term as consideration for voting in favor of an amendment to the Series C Preferred (see Note 8).