

ID WATCHDOG, INC.

**UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL
STATEMENTS**

AS OF JUNE 30, 2016 AND DECEMBER 31, 2015

**AND FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016 AND
2015**

The accompanying unaudited consolidated interim condensed financial statements of ID Watchdog, Inc. (the "Company") have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the Company's management.

The Company's independent auditors, GHP Horwath, P.C., have not performed a review of these unaudited consolidated interim condensed financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

ID WATCHDOG, INC.

UNAUDITED CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS

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

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 2,246,527	\$ 1,069,289
Trade receivables, net of allowance of \$7,827 and \$6,513	542,391	311,136
Prepaid expenses and other, net.....	186,970	170,434
	<hr/>	<hr/>
Total current assets.	2,975,888	1,550,859
Property and equipment, net (Note 4).....	183,107	155,995
Customer agreements, net.....	12,430	15,781
	<hr/>	<hr/>
Total assets.....	<u>\$ 3,171,425</u>	<u>\$ 1,722,635</u>
LIABILITIES		
Current liabilities:		
Accounts payable.....	\$ 390,467	\$ 317,778
Accrued liabilities.....	1,460,426	837,542
Deferred revenue.....	340,958	473,481
Provision (Note 8).....	365,000	350,000
Current portion of finance lease obligations (Note 5).....	9,947	18,532
	<hr/>	<hr/>
Total current liabilities.	2,566,798	1,997,333
Promissory Notes (Notes 5 and 6)	2,751,956	—
Deferred rent.....	21,133	26,860
Finance lease obligations, net of current portion (Note 5)	15,696	17,641
Series C mandatorily redeemable preferred shares, net of discount and conversion feature (Note 6).....	—	5,042,709
Warrant liability (Note 11)	—	317,709
	<hr/>	<hr/>
Total liabilities.....	<u>5,355,583</u>	<u>7,402,252</u>
SHAREHOLDERS' DEFICIT		
Share capital (Notes 5, 6, 9, 10 and 11):		
Preferred shares; 450,000,000 shares authorized		
Ordinary Shares; 450,000,000 no par value shares authorized:		
Ordinary Shares: 139,984,597 and 121,834,997 shares issued and outstanding.....	27,472,998	24,622,696
Contributed surplus	2,828,793	2,532,795
Warrants.....	1,649,064	1,649,064
Accumulated deficit.....	(34,135,013)	(34,484,172)
	<hr/>	<hr/>
Total shareholders' deficit.....	(2,184,158)	(5,679,617)
	<hr/>	<hr/>
Total liabilities and shareholders' deficit.....	<u>\$ 3,171,425</u>	<u>\$ 1,722,635</u>

General Business Description and Liquidity (Note 1)

Commitments (Note 7)

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

ID WATCHDOG, INC.
CONSOLIDATED INTERIM CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)
(Expressed in U.S. Dollars)

	<u>Three Months Ended</u> <u>June 30,</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue.....	\$ 2,552,390	\$ 1,296,265	\$ 5,125,065	\$ 2,565,951
Cost of revenue.....	<u>611,693</u>	<u>329,285</u>	<u>1,296,028</u>	<u>676,934</u>
Gross profit.....	1,940,697	966,980	3,829,037	1,889,017
Operating expense:				
General and administrative expense.....	512,222	377,673	1,108,621	708,899
Benefit broker commission expense.....	586,910	220,954	1,189,898	436,858
Sales and marketing expense.....	365,336	209,212	722,486	421,831
Share-based compensation expense (Note 10).....	268,729	11,066	295,998	25,359
Depreciation and amortization expense.....	<u>16,641</u>	<u>10,956</u>	<u>31,808</u>	<u>21,168</u>
	<u>1,749,838</u>	<u>829,861</u>	<u>3,348,811</u>	<u>1,614,115</u>
Operating income.....	190,859	137,119	480,226	274,902
Other income (expense):				
Interest expense, net (Note 5).....	(103,529)	(300,368)	(266,554)	(532,874)
Litigation provision (Note 8).....	(142,414)	—	(182,222)	—
Gain on warrant liability (Note 11).....	<u>—</u>	<u>—</u>	<u>317,709</u>	<u>199,659</u>
	<u>(245,943)</u>	<u>(300,368)</u>	<u>(131,067)</u>	<u>(333,215)</u>
Net income (loss) and comprehensive income (loss) applicable to ordinary shares.....	<u>\$ (55,084)</u>	<u>\$ (163,249)</u>	<u>\$ 349,159</u>	<u>\$ (58,313)</u>
Basic net income (loss) per share applicable to ordinary shares.....	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding – basic.....	<u>139,984,597</u>	<u>121,834,997</u>	<u>134,904,526</u>	<u>121,834,997</u>
Diluted net income (loss) per share applicable to ordinary shares.....	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding - diluted.....	<u>139,984,597</u>	<u>121,834,997</u>	<u>137,853,200</u>	<u>121,834,997</u>

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

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

Six Months Ended June 30, 2015

	<u>Ordinary Shares</u>	<u>Ordinary Shares Amount</u>	<u>Contributed Surplus</u>	<u>Warrants</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Deficit</u>
Balance December 31, 2014.....	121,834,997	\$24,622,696	\$2,473,999	\$1,576,765	(\$33,770,806)	(\$5,097,346)
Net loss.....	—	—	—	—	(58,313)	(58,313)
Share-based compensation expense and stock options Issued for service.....	—	—	25,359	—	—	25,359
Warrants issued for amendment to series C Preferred shares.....	—	—	—	72,299	—	72,299
Balance, June 30, 2015.....	<u>121,834,997</u>	<u>\$24,622,696</u>	<u>\$2,499,358</u>	<u>\$1,649,064</u>	<u>(\$33,829,119)</u>	<u>(\$5,058,001)</u>

Six Months Ended June 30, 2016

	<u>Ordinary Shares</u>	<u>Ordinary Shares Amount</u>	<u>Contributed Surplus</u>	<u>Warrants</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Deficit</u>
Balance, December 31, 2015.....	121,834,997	\$24,622,696	\$2,532,795	\$1,649,064	(\$34,484,172)	(\$5,679,617)
Net income.....	—	—	—	—	349,159	349,159
Share-based compensation expense and stock options issued for services.....	—	—	295,998	—	—	295,998
Exercise of warrants.....	4,150,000	498,000	—	—	—	498,000
Issuance of Ordinary Shares upon conversion of Series C Preferred Shares.....	13,999,600	2,352,302	—	—	—	2,352,302
Balance, June 30, 2016.....	<u>139,984,597</u>	<u>\$27,472,998</u>	<u>\$2,828,793</u>	<u>\$1,649,064</u>	<u>(\$34,135,013)</u>	<u>(\$2,184,158)</u>

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

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

	Six Months Ended June 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ 349,159	\$ (58,313)
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense.....	31,808	21,168
Share-based compensation expense to employees, directors and consultants.....	295,998	25,359
Interest expense - accrued dividends on Series C preferred shares, amortization of liquidation preferences, discount on warrants and debt offering....	121,549	376,971
Amortization of Credit Facility fees.....	—	125,224
Gain on fair value adjustment to warrant liability.....	(317,709)	(199,659)
Provision loss.....	182,222	—
Allowance for doubtful accounts.....	1,314	1,099
Change in assets and liabilities:		
Increase in trade receivable.....	(232,569)	(97,136)
Decrease (increase) in prepaid expenses and other.....	(16,536)	18,287
Increase in accounts payable and accrued liabilities.....	695,573	211,738
Increase (decrease) in deferred revenue.....	(132,523)	20,251
Decrease in provision.....	(167,222)	—
Increase (decrease) in deferred rent.....	(5,727)	3,160
Net cash provided by operating activities.....	<u>805,337</u>	<u>448,149</u>
Cash flows from investing activities:		
Capital expenditures.....	(55,569)	(18,019)
Net cash used in investing activities.....	<u>(55,569)</u>	<u>(18,019)</u>
Cash flows from financing activities:		
Proceeds from the exercise of warrants.....	438,000	—
Repayment of finance lease obligations.....	(10,530)	(7,718)
Repayment of borrowing on Credit Facility.....	—	(319,146)
Credit Facility fees.....	—	(140,000)
Net cash provided by (used in) financing activities.....	<u>427,470</u>	<u>(466,864)</u>
Net increase in cash and cash equivalents.....	1,177,238	(36,734)
Cash and cash equivalents, beginning of the period.....	1,069,289	886,476
Cash and cash equivalents, end of the period.....	<u>\$ 2,246,527</u>	<u>\$ 849,742</u>

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

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

	Six Months Ended June 30,	
	2016	2015
Supplemental disclosure of cash flow information:		
Cash paid for interest.....	\$ 103,160	\$ 30,679
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.....	2,811,956	—
Repayment of Promissory Note from exercise of warrants.....	60,000	—

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

ID WATCHDOG, INC.
NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Expressed in U.S. Dollars)

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 to individual consumers who are residents of the United States and primarily on a subscription basis, 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 unaudited consolidated interim condensed financial statements include the results of operations of the Company and those of its wholly owned subsidiaries, ID Rehab and IDR Processing, LLC ("IDR"), formally WDI Processing, LLC.

Seasonality of Operations

The Company has utilized various distribution channels to assist us in selling its identity theft protection services to potential customers. We acquire these customers through relationships with benefit brokers and other entities ("Benefit Broker or Benefit Brokers") who focus on designing and negotiating customized employee benefit programs for their employer clients. In this channel, the Benefit Brokers promote our services to their employer clients who then offer our services as a voluntary benefit to their employees (the "Employee Benefit Channel"). A significant number of employers make changes to the benefits offered to their employees, which are effective on January 1 of each year.

Due to the seasonal nature of the Employee Benefit Channel, the Company experiences significant revenue growth during first quarter of each year as compared to the fourth quarter of the prior year. The revenue during the balance of the calendar year will likely fluctuate modestly from the levels achieved in the first quarter. Cost of service, benefit broker commission expense and sales and marketing expense will also increase significantly in the first quarter of the year over the fourth quarter of the prior year as these expense are directly correlated to the growth in the Company's revenues. Further, as a result of these revenue and expense increases, the Company will experience higher levels of accounts receivable and accounts payable and accrued liabilities in the first quarter of each year as compared to the fourth quarter of the prior year.

Liquidity

The Company has incurred significant net losses from its inception and as of June 30, 2016 and December 30, 2015, has an accumulated deficit of \$34,135,013 and \$34,484,172 and working capital of \$409,090 and \$446,474, respectively. The Company has funded these losses primarily through funds raised in its Initial Public Offering ("IPO") and from private placements of debt and equity securities. While the Company reported net losses and operating losses in the past, it has consistently generated operating income since the beginning of 2014.

The Company will seek to grow its customer base primarily through the Employee Benefit Channel. The Company continues to actively expand its network of 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.

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NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Expressed in U.S. Dollars)

As of June 30, 2016 and December 31, 2015, our cash balances totaled \$2,246,527 and \$1,069,289, respectively. We are dependent upon our existing cash balances, along with our cash flow generated from operations, and additional debt or 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 \$480,226 and \$805,337 for the six months ended June 30, 2016, respectively, and \$274,902 and \$448,149 for the six months ended June 30, 2015, respectively. Given the Company's existing cash balances and projected cash provided by operating activities, the Company believes it will have sufficient liquidity to fund its operating activities, capital expenditures, debt service and working capital needs for the foreseeable future (at least twelve months from June 30, 2016).

2. Basis of Presentation and Future Accounting Pronouncements

(a) Statement of Compliance

The unaudited consolidated interim condensed 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"), including International Accounting Standard 34-Interim Financial Reporting, and do not contain all of the information required for full annual financial statements. Therefore, these unaudited consolidated interim condensed financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2015.

These unaudited consolidated interim condensed financial statements were authorized for issue by the Audit Committee of the Board of Directors and the Board of Directors on July 28, 2016.

(b) Basis of Measurement

These unaudited consolidated interim condensed financial statements have been prepared on a going concern basis using the historical cost convention, except as disclosed in the accounting policies below. These unaudited consolidated interim condensed 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 the going concern assumption was not appropriate. These adjustments could be material.

(c) Functional and Presentation Currency

These unaudited consolidated interim condensed financial statements are presented in U.S. dollars which is the Company's functional currency as substantially all of its transactions are dominated in U.S. dollars.

(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 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

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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.

(e) 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.

(f) Significant Accounting Judgments and Estimates

The preparation of these unaudited consolidated condensed 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 unaudited consolidated interim condensed 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.

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NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
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The key areas of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognized in the unaudited consolidated interim condensed 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 unaudited consolidated interim condensed financial statements are as follows:

(i) Provisions and contingencies

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

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

(ii) Going concern assumption

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

(iii) Revenue recognition and presentation

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

(2) Use of Estimates

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to these unaudited consolidated interim condensed 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 was convertible at the date of issuance, a portion of the proceeds were allocated to the conversion feature embedded in the Series C Preferred. Also, see Note 6 (a).

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NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)
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(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, in estimating the value of stock options the Company also utilizes an estimated forfeiture rate, which is determined based upon a combination of industry data and the Company's historical forfeiture 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) Customer agreements

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

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

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

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NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Expressed in U.S. Dollars)

(vi) Provisions

The assumptions associated with calculating the estimated value of provisions involve significant estimates, including those with respect to potential outcomes, probability of such outcomes and estimates of the related future resource outflows. These significant estimates may differ from the actual outcomes and could be material.

3. 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 market risks in the normal course of the Company's operations. These risks are mitigated by the Company's financial management policies and practices described below.

(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 June 30, 2016 and December 31, 2015, trade receivables that are considered past due (over 30 days past due from the date of the invoice) totaled \$26,975 and \$40,817, respectively, none of which the Company considered to be impaired. The gross trade receivables at June 30, 2016 and December 31, 2015, was \$550,218 and \$317,649, respectively. For the six months ended June 30, 2016 and 2015, the Company recorded bad debt expense of \$1,314 and \$1,099, respectively.

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NOTES TO CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS
(Unaudited)
(Expressed in U.S. Dollars)

(ii) Cash and cash equivalents

The Company limits its exposure to credit risk by making deposits with and investing only in liquid securities with established financial institutions. Management does not 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 and available cash balances.

The following table is a summary of the Company's debt maturities as of June 30, 2016:

	Finance Leases	Promissory Notes (1)	Total
July 1, 2016 to December 31, 2016...	\$ 8,002	\$ —	\$ 8,002
2017.....	3,973	2,751,956	2,755,929
2018.....	4,318	—	4,318
2019.....	4,692	—	4,692
2020.....	4,658	—	4,658
Total.....	<u>\$ 25,643</u>	<u>\$ 2,751,956</u>	<u>\$ 2,777,599</u>

(1) See Notes 5 and 6 regarding the maturity, and other terms of the Promissory Notes.

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

(ii) Foreign currency risk

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

(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.

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The Company's primary sources of capital during the six months ended June 30, 2016 and 2015 were from operating activities and proceeds from the exercise of warrants, which totaled \$805,337, \$448,149 and \$438,000, \$0 (net proceeds), respectively. These funds increased the Company's cash balances and also were used to fund capital expenditures. The Company is not subject to any externally imposed capital requirements.

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

	June 30, 2016	December 31, 2015
Working Capital (Deficiency).....	\$ 409,090	\$ (446,474)
Finance leases, long-term	15,696	17,641
Promissory Notes	2,751,956	—
Series C Preferred.....	—	5,042,709
Shareholders' deficit	(2,184,158)	(5,679,617)
Totals	<u>\$ 992,584</u>	<u>\$ (1,065,741)</u>

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 six months ended June 30, 2016 and 2015.

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4. Property and Equipment

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

Depreciation and amortization expense for the three months ended June 30, 2016 and 2015 were \$14,966 and \$9,280, respectively, and for the six months ended June 30, 2016 and 2015 were \$28,457 and \$17,817, respectively, and are included in depreciation and amortization expense in the unaudited consolidated interim condensed statements of operations.

	Cost					
	<u>Computer Hardware</u>	<u>Computer Software</u>	<u>Office Equipment</u>	<u>Furniture</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Balance at January 1, 2016	\$ 127,861	\$ 803,523	\$ 135,769	\$63,145	\$ 21,331	\$ 1,151,629
Additions	46,024	-	30	6,114	3,401	55,569
Deletions	-	-	(6,000)	-	-	(6,000)
Balance at June 30, 2016	<u>\$ 173,885</u>	<u>\$ 803,523</u>	<u>\$ 129,799</u>	<u>\$69,259</u>	<u>\$ 24,732</u>	<u>\$ 1,201,198</u>
	Accumulated Depreciation and Amortization					
Balance at January 1, 2016	\$ (99,252)	\$(744,500)	\$ (96,481)	\$(47,736)	\$ (7,665)	\$ (995,634)
Depreciation and amortization for the period	(8,917)	(2,339)	(10,563)	(2,886)	(3,852)	(28,457)
Deletions	-	-	6,000	-	-	6,000
Balance at June 30, 2016	<u>\$(108,169)</u>	<u>\$(746,839)</u>	<u>\$(101,044)</u>	<u>\$(50,622)</u>	<u>\$(11,517)</u>	<u>\$(1,018,091)</u>
Net book value:						
At December 31, 2015.....	\$ 28,609	\$ 59,023	\$ 39,288	\$ 15,409	\$ 13,666	\$ 155,995
At June 30, 2016.....	\$ 65,716	\$ 56,784	\$ 8,755	\$ 18,637	\$ 13,215	\$ 183,107
Cost of fully depreciated assets:						
At December 31, 2015.....	\$ 87,119	\$ 739,664	\$ 34,102	\$ 38,286	\$ -	\$ 899,171
At June 30, 2016.....	\$ 87,119	\$ 739,664	\$ 28,102	\$ 38,286	\$ -	\$ 893,171

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

	Cost		
	Office Equipment	Leasehold Improvements	Total
Balance at January 1, 2016	\$91,554	\$21,331	\$112,885
Additions	-	3,401	3,401
Deletions	-	-	-
Balance at June 30, 2016	<u>\$91,554</u>	<u>\$24,732</u>	<u>\$116,286</u>
	Accumulated Depreciation and Amortization		
Balance at January 1, 2016	\$(59,830)	\$(7,665)	\$(67,495)
Depreciation and amortization for the period.....	(9,155)	(3,852)	(13,007)
Deletions	-	-	-
Balance at June 30, 2016	<u>\$(68,985)</u>	<u>\$(11,517)</u>	<u>\$(80,502)</u>
Net book value:			
At December 31, 2015.....	\$ 31,724	\$ 13,666	\$ 45,390
At June 30, 2016.....	\$ 22,569	\$ 13,215	\$ 35,784

5. Debt

Promissory Notes

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

On the Maturity Date, 1,673,520 Series C Preferred shares with a Liquidation Preference Amount of \$2,811,956, had not been converted to Ordinary Shares by the holders and 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 (see Note 11), resulting in total outstanding Promissory Notes of \$2,751,956 and \$0 as of June 30, 2016 and December 31, 2015, respectively.

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Finance Leases

In July 2011, the Company entered into a five-year agreement to lease telecommunications equipment. The monthly lease payments are \$1,574, and the agreement includes a bargain purchase option at the end of the lease term.

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.

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

	June 30, 2016		December 31, 2015	
	Present Value	Future Value	Present Value	Future Value
Within one year.....	\$ 9,947	\$ 11,593	\$ 18,532	\$ 21,038
After one year.....	15,696	18,094	17,641	20,742
Total.....	\$ 25,643	\$ 29,687	\$ 36,173	\$ 41,780

At June 30, 2016 and December 31, 2015, the Company's borrowings consisted of the following:

	June 30, 2016	December 31, 2015
Current borrowings:		
Current portion of finance lease obligations.....	\$ 9,947	\$ 18,532
Long-term borrowings:		
Promissory Notes.....	2,751,956	—
Finance lease obligations, net of current portion....	15,696	17,641
Total borrowings.....	\$ 2,777,599	\$ 36,173

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Interest and accretion expense for the three and six months ended June 30, 2016 and 2015 consists of the following:

	Three Months Ended June 30,	
	2016	2015
Accrued dividends on Series C Preferred.	\$ —	\$ 61,470
Accretion of Series C Preferred liquidation preference.	—	43,012
Amortization of discount related to fair value of Series C Preferred detachable warrants.	—	47,087
Amortization of offering costs.	—	28,727
Amortization of discount related to Series C Preferred amendment warrants.	—	16,379
Interest expense on Promissory Notes.	102,916	—
Interest expense on financing leases and other debt, net.	613	19,916
Amortization of deferred financing fees.	—	83,777
Total.	\$ 103,529	\$ 300,368

	Six Months Ended June 30,	
	2016	2015
Accrued dividends on Series C Preferred.	\$ 37,052	\$ 122,940
Accretion of Series C Preferred liquidation preference.	25,928	86,024
Amortization of discount related to fair value of Series C Preferred detachable warrants.	28,383	94,174
Amortization of offering costs.	17,317	57,454
Amortization of discount related to Series C Preferred amendment warrants.	12,869	16,379
Interest expense on Promissory Notes.	143,630	—
Interest expense on financing leases and other debt, net.	1,375	30,679
Amortization of deferred financing fees.	—	125,224
Total.	\$ 266,554	\$ 532,874

Credit Facility

On February 8, 2013, ID Rehab entered into a \$500,000 secured credit facility (the "Credit Facility") with Costella Kirsch, a California based lender (the "Lender"). ID Rehab borrowed \$250,000 on the Credit Facility at closing and borrowed an additional \$250,000 (the "Second Draw") on July 31, 2013. At closing, the Company paid the Lender an origination fee by issuing to the lender 1,000,000 of its Ordinary Shares and issued an additional 1,000,000 of its Ordinary Shares to the Lender on July 31, 2013, when it borrowed the Second Draw. The borrowings from the Credit Facility were used for general corporate purposes, accrued interest at 13% per annum and were secured by all of the assets of ID Rehab.

On June 19, 2015, the Company repaid all the outstanding principal, a prepayment fee and interest due on its Credit Facility totaling \$250,054 and terminated the Credit Facility.

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The Credit Facility included a covenant that required the Company to pay an additional fee to the Lender in the amount \$100,000, for the year ended December 31, 2015, in the event that ID Rehab did not achieve a certain level of operating income before depreciation, amortization, and share-based compensation ("Operating Cash Flow"). The Company did not believe it would exceed the required Operating Cash Flow level for 2015 and agreed with the Lender to pay a fee in the amount of \$90,000, upon the termination of the Credit Facility, as full satisfaction for the \$100,000 fee for 2015.

6. Series C Mandatorily Redeemable Convertible Preferred Stock and Warrants

(a) 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. On or before the Maturity Date 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.

Effective on June 1, 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.

The Series C Preferred shares were considered to be mandatorily redeemable as of December 31, 2015, and are classified as a liability on the Company's unaudited consolidated statement of financial position. The Series C Preferred shares matured on February 24, 2016. Also below, see (d) Mandatory Conversion and (e) Maturity and Mandatory Redemption.

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 was 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 are 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 have been recorded as a discount and deducted from the face value of the preferred stock in the accompanying unaudited consolidated statements of financial position. The Series C Preferred and the related warrants were classified as liabilities, and the discount for the warrants and equity conversion feature will be amortized over the period from issuance to February 24, 2016 (the redemption date) as a charge to interest expense.

(b) Dividends

Dividends on Series C Preferred shares accrued at 8% per annum on the sum of the issue price of \$1,000 per share.

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(c) Mandatory Conversion

Holder of the Series C Preferred shares had the right to convert all or a portion of their holdings at any time into 10,000 Ordinary Shares for each Series C Preferred share, which may be adjusted from time to time for splits, reclassifications, dividends payable in shares and certain other events as set out in the Articles of Association of the Company in the form adopted on June 25, 2008.

(d) Maturity and Mandatory Redemption

The Series C Preferred shares had a maturity date of 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 had the right to pay either in cash from available legal surplus or, in the absence thereof, by delivery of a Promissory Note with an interest rate of 15% per annum and a maturity date of November 22, 2017 (as amended).

Amendment to Series C Preferred

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 amend the section of the rights and restrictions of the Series C Convertible Preferred shares of the Company, which section read as follows:

On the Maturity Date, any then unconverted Series C Preferred shall be subject to Mandatory Redemption at a price equal to the then Liquidation Preference Amount, which the Company shall pay either (i) in cash from available legal surplus or (ii) in the absence thereof, by delivery of a senior note, which note shall have the following provisions:

Designation:	Senior in right of payment to any and all other notes
Interest Rate:	15%
Maturity:	90 days from the Maturity Date

The resolution amends the maturity of the senior note from "90 days from the Maturity Date" to read "November 22, 2017". The resolution was approved at the meeting as holders of the Series C Preferred representing 2,495,085 shares, or 81.2% of the outstanding shares, submitted valid proxies and 100% voted in favor of the proposed resolution.

As consideration for the Series C Preferred shareholders who provided a valid proxy and voting in favor of the resolution and 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.

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

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redeemed by the Company through the issuance of Promissory Notes with a total principal amount of \$2,811,956 (see Note 5).

Subsequent to the issuance of Ordinary Shares from the conversion of a portion of the Series C Preferred and the exercise of Warrants as described in Note 11, a total of 139,984,597 Ordinary Shares were outstanding.

7. Commitments

As of June 30, 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:

Period	Data Provider	Operating Leases	Other	Total Commitments
July 1 through December 31, 2016	\$ 192,000	\$ 48,487	\$ 5,424	\$ 245,911
2017	297,000	99,342	9,040	405,382
2018	67,000	8,295		75,295
2019	15,000			15,000
Totals	<u>\$ 571,000</u>	<u>\$ 156,124</u>	<u>\$ 14,464</u>	<u>\$ 741,588</u>

For the three and six month periods ended June 30, 2016 and 2015, the Company recognized rent expense for leased office space of \$21,918 and \$43,248, \$21,330, \$42,660, respectively.

8. Provision

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

On October 12, 2015, the Sales Affiliate filed a complaint against the Company in U.S. District Court alleging it is due approximately \$600,000 plus future amounts for unpaid fees and customer subscription renewals. The Sales Affiliate's claim is based on an estimate of subscription renewals subsequent to termination (the "Subscription Renewals"). Subsequent to the filing of the complaint the Sales Affiliate has disclosed a revised estimate of the Subscription Renewals claim in an amount of \$705,000. The case is set for trial for September, 2016.

The Company and its legal advisors believe these claims are without merit and are vigorously defending itself against these claims. The Company believes the resolution of this matter will not have a material adverse effect on its financial condition and results of operations as reported in the accompanying financial statements. However, depending on the amount and timing of an unfavorable resolution of this claim, it is possible that the Company future results of operations or cash flows could be materially affected in a particular period.

The Company has recorded as a liability in its consolidated statements of financial position a litigation provision of \$365,000 and \$350,000 as of June 30, 2016 and December 31, 2015, respectively, as its best estimate of the costs to defend and resolve these claims. The Company believes any outflow of funds required to resolve this matter will likely occur within six months from June 30, 2016.

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The changes to the provision during the six months ended June 30, 2016 are as follows:

Balance at December 31, 2015.....	\$ 350,000
Increase in provision.....	182,222
Amounts charged against provision.....	<u>(167,222)</u>
Balance at June 30, 2016.....	<u>\$ 365,000</u>

The increase in the provision for the six months ended June 30, 2016, is 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 six months ended June 30, 2016, are legal fees incurred by the Company to defend against this claim.

9. Stock Options

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 exercise price of the options is U.S \$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 vested and are 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 USD per Ordinary Share, expire seven years from the date of grant and are subject to the terms and conditions of the Plan.

2015 Activity

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 USD per Ordinary Share, expire seven years from the date of grant and are subject to the terms and conditions of the Plan.

Also, during the first six months of 2015, 25,000 options expired, which had an exercise price of \$0.56.

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The following table summarizes the assumptions used to value stock options granted during the six months ended June 30, 2016 and 2015:

	Six Months Ended June 30,	
	2016	2015
Weighted average exercise price.....	\$ 0.14	\$ 0.06
Expected term range.....	0.25 - 4 years	3.0 years
Weighted average estimated volatility.....	132%	147%
Weighted average risk-free interest rate.....	0.77%	1.63%
Dividend yield.....	0%	0%
Estimated forfeiture rate range	5.0%–15.0%	15.0%
Total fair value.....	\$ 818,000	\$ 18,000
Weighted average grant date fair value per option.....	\$ 0.10	\$ 0.04
Weighted average share price at grant date.....	\$ 0.14	\$ 0.05

A summary of options activity under the Plan for the six months ended June 30, 2016 and 2015 are as follows:

Stock Options Denominated in U.S. Dollars

	Six Months Ended June 30,		Year 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.....	—	—	—	—
Outstanding, end of period.....	<u>18,551,000</u>	<u>\$ 0.12</u>	<u>14,428,000</u>	<u>\$ 0.14</u>
Exercisable, end of period.....	<u>11,410,058</u>	<u>\$ 0.11</u>	<u>11,868,226</u>	<u>\$ 0.15</u>

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Stock Options Denominated in U.S. Dollars

<u>Exercise Prices</u>	<u>Stock Options Outstanding</u>		<u>Stock Options Exercisable</u>
	<u>Number of Shares</u>	<u>Weighted Average Remaining Contractual Term (In years)</u>	<u>Number of Shares</u>
\$0.06-\$0.10.....	7,583,000	4.62	5,946,058
\$0.11-\$0.15.....	10,968,000	5.67	5,464,000
	<u>18,551,000</u>	<u>3.28</u>	<u>11,410,058</u>

10. Share-based Compensation Expense:

A summary of share-based compensation expense follows:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Share-based compensation expense – employees and directors.....	\$ 266,472	\$ 11,066	\$ 280,720	\$ 25,359
Share-based compensation expense – consultants.....	<u>2,257</u>	<u>—</u>	<u>15,278</u>	<u>—</u>
Total share-based compensation expense.....	<u>\$ 268,729</u>	<u>\$ 11,066</u>	<u>\$ 295,998</u>	<u>\$ 25,359</u>

11. Warrants

The Company did not issue any warrants during the six months ended June 30, 2016 and 2015.

The following table present the composition of warrants outstanding as of June 30, 2016:

<u>Exercise Prices</u>	<u>Shares</u>	<u>Weighted Average Remaining Contractual Term (years)</u>
\$0.10-\$0.15.....	12,540,267	0.65
\$0.16-\$0.20.....	—	—
\$0.21-\$0.25.....	<u>8,493,333</u>	<u>0.36</u>
Outstanding as of June 30, 2016.....	<u>21,033,600</u>	<u>0.53</u>

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A summary of warrant activity for the six months ended June 30, 2016 and 2015 follows:

	Six Months Ended June 30,			
	2016	Weighted Average Exercise Price	2015	Weighted Average Exercise Price
	Shares		Shares	
Outstanding, beginning of period	40,999,486	\$ 0.15	48,294,241	\$ 0.18
Issued.....	—	—	2,493,085	.10
Exercised	(4,150,000)	0.12	—	—
Expired	(15,815,886)	0.12	(7,219,090)	0.24
Outstanding, end of period.....	21,033,600	\$ 0.18	43,568,236	\$ 0.16

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 5).

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 June 30, 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 unaudited consolidated statement of financial position as a liability at their fair value. At June 30, 2016 and December 31, 2015, the warrant liability totaled \$0 and \$317,709, respectively.

The following table summarizes the assumptions used to value the warrant liability as of 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

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12. 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Weighted average number of shares outstanding used in computing basic earnings per share.....	139,984,597	121,834,997	134,904,526	121,834,997
Dilutive effect of stock options.....	—	—	2,403,313	—
Dilutive effect of warrants.....	—	—	545,362	—
Weighted average number of shares outstanding used in computing diluted earnings per share.....	<u>139,984,597</u>	<u>121,834,997</u>	<u>137,853,200</u>	<u>121,834,997</u>
	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income (loss) and comprehensive income (loss) applicable to ordinary shares.....	\$ (55,084)	\$ (163,249)	\$ 349,159	\$ (58,313)
Impact of assumed dilution.....	—	—	—	—
Net income (loss) adjusted for dilutive effect.....	<u>\$ (55,084)</u>	<u>\$ (163,249)</u>	<u>\$ 349,159</u>	<u>\$ (58,313)</u>

For the three and six months ended June 30, 2016 and 2015, the diluted earnings per share calculation did not take into consideration the potential dilutive effect of certain stock options (Note 9) as well as warrants (Note 11) that are not in the money as they are not dilutive.

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(Unaudited)
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13. Cost of Revenue

Cost of revenue includes the following major categories of expenses:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Data cost.....	\$ 370,129	\$ 173,037	\$ 810,929	\$ 367,349
Personnel related expenses.....	163,252	93,907	317,475	182,135
Other.....	78,312	62,341	167,624	127,450
Total.....	\$ 611,693	\$ 329,285	\$ 1,296,028	\$ 676,934

14. Key Management Personnel Compensation

Remuneration paid to key management personnel is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Salaries and other employee benefits.....	\$ 131,576	\$ 178,831	\$ 397,677	\$ 293,879
Share-based compensation.....	39,681	10,418	43,769	23,773
Total.....	\$ 171,257	\$ 189,249	\$ 441,446	\$ 317,652

Employee benefits correspond to the amounts paid during the year and share-based compensation correspond to the amounts recorded as expenses.

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 was \$215,346, \$215,346, \$0, and \$0 recognized as expense for the three and six months ended June 30, 2016 and 2015, respectively.

15. 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 \$135,216. Interest expense on these notes totaled \$6,629 and \$9,252 for the three and six months ended June 30, 2016, respectively. In addition, these individuals paid to the Company \$75,000 to exercise 650,000 of the \$.12 Warrants and were issued 650,000 Ordinary Shares.

16. Comparative Amounts

Benefit broker commission expenses has been reclassified from sales and marketing expense in the prior years unaudited consolidated interim condensed financial statement amounts to conform to the current year presentation. Such reclassifications had no effect on net and comprehensive income (loss).