ID Watchdog, Inc.
Management's Discussion and Analysis
For the Year Ended December 31, 2016

Introduction

The following discussion and analysis provides information that management believes is relevant to an assessment and understanding of ID Watchdog, Inc.'s (the "Company," "we," "our," or "us") consolidated results of operations and financial position. This "Management's Discussion and Analysis" ("MD&A") should be read in conjunction with the audited annual consolidated financial statements of the Company for year ended December 31, 2016 and the notes thereto. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are presented in U.S. dollars as all of the Company's revenues and expenses are recorded in U.S. dollars. Additional information on the Company, including the Company's audited financial statements for the year ended December 31, 2016, can be accessed from SEDAR at www.sedar.com as well as from the Company's website at www.idwatchdog.com in the "Company Overview" section. Information contained in this report is qualified by reference to the discussion concerning forward-looking information and statements beginning on page 25 of this MD&A.

International Financial Reporting Standards ("IFRS")

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

This MD&A is presented in U.S. dollars, which is the Company's functional currency.

Definitions Relative to Understanding our Results

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

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

We report on our adjusted EBITDA and use this metric to measure the performance of our business. Adjusted EBITDA is not a performance measure defined under IFRS and is not considered an alternative to income (loss) from operations or net earnings (loss) in the context of measuring the Company's performance. Adjusted EBITDA does not have a standardized meaning and is therefore not likely to be comparable with similar measures used by other publicly traded companies. Adjusted EBITDA should not be used as an exclusive measure of cash flow since it does not account for the impact of working capital changes, income taxes, interest payments, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed on pages 11, 12, 13 and 14 of this MD&A.

Background and Description of Business

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

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

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

- **Identity Monitoring:** ID Watchdog's identity monitoring service scans public and private consumer databases generating client alerts of suspicious activity associated with name, address, phone number, date of birth, and social security number.

- **Cyber Monitoring**: Our service scans known malicious chat rooms, blogs, and underground websites for client name, credit card information, and social security number that can be bought and sold for fraudulent usage.

- **Non-Credit Loan Monitoring**: This service monitors data feeds from non-credit loan outlets which may provide applicants a loan of up to $1,000 while requiring only an address and proof of employment.

- **Credit Reports and Credit Scores:** We provide online access to credit reports and credit scores from Experian, TransUnion and Equifax to check the validity and accuracy of client account information.

- **Credit Monitoring**: We monitor daily for changes to the customer's credit reports from Experian, Equifax, and TransUnion. There are twenty-six different alert types that can detect potential fraudulent activity.

- **Resolution Services:** In cases where identity theft is detected, our resolution service is designed to find it, stop it, and fix it before any further significant damage occurs. Identity theft cases are assigned to a dedicated in-house staff of identity theft resolution experts.

Marketing of Services

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

- **Employee Benefit Channel:** We acquire customers through relationships with benefit brokers and other entities ("Benefit Brokers") who focus on designing and negotiating customized employee benefit programs for their employer clients. In this channel, the Benefit Brokers promote our services to their employer clients who then offer our services as a voluntary benefit to their employees (the "Employee Benefit Channel"). We continue to expand this sales channel and ultimately our customer base by significantly expanding the number of Benefit Broker relationships and the depth and breadth of our relationships within these Benefit Brokers. We are focusing substantially all of our efforts on further development and expansion of the Employee Benefit Channel and anticipate that this channel will generate virtually all of our revenue growth in the foreseeable future.

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

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

- **Tech Support Channel:** In this channel, we utilize third-party entities that provide personal computer performance enhancement services (the "Sales Affiliates"), to sell our services as an add-on product offering directly to their customers (the "Tech Support Channel"). In conjunction with the Sales Affiliates, we also utilize a third-party vendor (the "Billing Vendor") to bill, process and collect payments from the customers who are sold their subscriptions to our services by the Sales Affiliates. The Billing Vendor receives a per transaction processing fee for providing their services.

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

(Expressed in U.S. Dollars)

Balance Sheet Data

	As of December 31,		
	2016	**2015**	**2014**
Cash	$ 1,405,920	$ 1,069,289	$ 886,476
Total assets	2,551,270	1,722,635	1,281,056
Total long term liabilities	328,432	5,404,919	4,876,529
Total liabilities	3,709,735	7,402,252	6,378,402
Total shareholders' deficit	(1,158,465)	(5,679,617)	(5,097,346)

Results of Operations

The financial information set out below is based on and derived from our consolidated statements of comprehensive income (loss) for the years ended December 31, 2016, 2015 and 2014.

	Year Ended December 31,		
	2016	**2015**	**2014**
Revenue	$ 10,281,308	$ 5,367,555	$ 3,469,468
Cost of service	2,624,470	1,496,565	989,036
Gross profit	7,656,838	3,870,990	2,480,432
Operating expense	6,750,953	3,331,537	2,213,274
Operating income	905,885	539,453	267,158
Adjusted EBITDA	$ 1,519,033	$ 644,508	$ 463,755
Net income (loss) and comprehensive income (loss) applicable to Ordinary Shares	$ 639,321	$ (713,366)	$ (179,062)
Basic net income (loss) per share	$ 0.00	$ (0.01)	$ (0.00)
Diluted net income (loss) per share	$ 0.00	$ (0.01)	$ (0.00)

(Expressed in U.S. Dollars)

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

Summary of Quarterly Results (Unaudited)

	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenue	$ 2,603,891	$ 2,552,352	$ 2,552,390	$ 2,572,675
Cost of service	726,193	634,763	597,695	665,819
Gross profit	1,877,698	1,917,589	1,954,695	1,906,856
Operating expense:				
Benefit broker commission	618,229	609,900	586,910	602,988
General and administrative	632,978	519,379	512,222	596,399
Sales and marketing	326,644	377,156	379,334	375,666
Share-based compensation	99,873	143,633	268,729	27,269
Depreciation and amortization	18,900	22,936	16,641	15,167
	1,696,624	1,673,004	1,763,836	1,617,489
Operating income	181,074	244,585	190,859	289,367
Other income (expense)	(53,700)	(81,797)	(245,943)	114,876
Net income (loss) and comprehensive income (loss) applicable to ordinary shares	$ 127,374	$ 162,788	$ (55,084)	$ 404,243
Basic net income (loss) per share	$ 0.00	$ 0.00	$ (0.00)	$ 0.00
Diluted net income (loss) per share	$ 0.00	$ 0.00	$ (0.00)	$ 0.00

Reconciliation of Net Income (Loss) to Adjusted EBITDA

Net income (loss)	$ 127,374	$ 162,788	$ (55,084)	$ 404,243
Depreciation and amortization expense	18,900	22,936	16,641	15,167
Interest expense, net	54,990	99,865	103,529	163,025
EBITDA	201,264	285,589	65,086	582,435
Gain on warrant liability	—	—	—	(317,709)
Litigation (benefit) provision	(1,290)	(18,068)	142,414	39,808
Share-based compensation expense	99,873	143,633	268,729	27,269
Adjusted EBITDA	$ 299,847	$ 411,154	$ 476,229	$ 331,803

ID WATCHDOG, INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations
December 31, 2016
(Expressed in U.S. Dollars)

Summary of Quarterly Results (Unaudited)

	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Revenue	$ 1,424,021	$ 1,377,583	$ 1,296,265	$ 1,269,686
Cost of service	442,335	377,296	329,285	347,649
Gross profit	981,686	1,000,287	966,980	922,037
Operating expense:				
Benefit broker commission	257,042	236,184	220,954	215,904
General and administrative	375,947	333,187	377,673	331,226
Sales and marketing	236,768	219,766	209,212	212,619
Share-based compensation	20,383	13,054	11,066	14,293
Depreciation and amortization	13,042	12,049	10,956	10,212
	903,182	812,240	829,861	784,254
Operating income	78,504	186,047	137,119	137,783
Other income (expense)	(623,407)	(296,197)	(300,368)	(32,847)
Net income (loss) and comprehensive income (loss) applicable to ordinary shares	$ (544,903)	$ (110,150)	$ (163,249)	$ 104,936
Basic net income (loss) per share	$ (0.00)	$ (0.00)	$ (0.00)	$ 0.00
Diluted net income (loss) per share	$ (0.00)	$ (0.00)	$ (0.00)	$ 0.00

Reconciliation of Net Income (Loss) to Adjusted EBITDA

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

Generally, revenues have fluctuated modestly from the levels reported in the first quarter, which have increased significantly over the fourth quarter, primarily due to increased revenue from our Employee Benefit Channel.

Gross profit margin is generally lowest in the first and four quarters of year as the Company typically experiences significant customer growth in the first quarter and we incur incremental data costs to set up and activate these new customers. Also, in the fourth quarter, we conduct most of our pre-enrollment activities with employers and increase our staffing levels in advance of our first quarter customer enrollments, which reduces our gross profit margin in the fourth quarter.

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

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

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

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

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

Seasonality of Operations

The Company utilizes various distribution channels to assist us in selling our identity theft protection services to potential customers. We acquire these customers through relationships with Benefit Brokers who promote our services to their employer clients who then in-turn offer our services as a voluntary benefit to their employees. 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 expenses 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.

Results of Operations

Comparison of the year ended December 31, 2016 to the year ended December 31, 2015

Revenues

Total revenue increased $4,913,753, or 91.5%, from $5,367,555 for the year ended December 31, 2015 to $10,281,308 for the year ended December 31, 2016.

Revenue from our Employee Benefits Channel increased $5,125,570, or 132.1%, from $3,879,021 for the year ended December 31, 2015 to $9,004,591 for the year ended December 31, 2016. The increase in our Employee Benefit Channel revenue from 2015 to 2016 was the result of a 117.8% increase in the monthly average number of customers subscribing to our services and 6.6% increase in the average monthly revenue generated per customer. The increase in customers in this channel is the result of our continuing efforts to expand our network of Benefit Brokers who promote our services to their employer clients and to increase the number of employer clients represented by these Benefit Brokers.

Revenue from our Tech Support Channel decreased $254,563, or 34.7%, from $733,688 for the year ended December 31, 2015 to $479,125 for the year ended December 31, 2016. The decrease in our Tech Support Channel revenue from 2015 to 2016 was the result of a decrease in the monthly average number of customers subscribing to our services through this channel.

On November 21, 2014, we terminated our sales and revenue sharing arrangement with our principal Sales Affiliate (see Litigation Provision on page 20 of this MD&A) and as a result, we do not expect any new customer subscription activity in this channel for the foreseeable future as we are not adding any new customers in this channel and a significant number of our existing customers don't renew their subscriptions upon expiration. As a result, we anticipate that the monthly average number of customers subscribing to our services will decrease significantly going forward.

We anticipate the number of customers will likely continue to decline in 2017, resulting in a 50% to 55% decrease in Tech Support Channel revenue in 2017 as compared to 2016.

Revenue from our Consumer Marketing and Other Channels, which includes revenue from our consumer marketing customers, customers we acquired in May 2013 from a third party and our anti-virus partner customers, increased $42,746, or 5.7%, from $754,846 for the year ended December 31, 2015 to $797,592 for the year ended December 31, 2016. This increase was due primarily to an $126,476 increase in the revenue from sales from our website, which were partially offset by revenue declines from our Other Channels.

Cost of Service

Cost of service consists primarily of the following:

- Fees paid to data providers;

- Personnel related expenses in support of customer identity monitoring and identity theft resolution; and
- Other service related expenses.

Cost of service for the year ended December 31, 2016 was $2,624,470, resulting in a gross profit of $7,656,838, while our cost of revenue for the year ended December 31, 2015, was $1,496,565, resulting in a gross profit of $3,870,990. Gross margin for the year ended December 31, 2016 was 74.5% as compared to a gross margin of 72.1% for the year ended December 31, 2015.

Cost of service increased by $1,127,905 in 2016 as compared to 2015 primarily due to a $856,960 increase in data services expenses, a $194,390 increase in personnel related expenses, and $76,555 in customer communications related expenses and other costs of service.

Our data costs increased as a result of a significant increase in the number of customers subscribing to services and from higher data costs per customer due to the additional costs for enhancements to our identity theft services. Data costs, as a percent of revenue, increased to 15.5% for the year ended December 31, 2016 from 13.8% for the year ended December 31, 2015.

Personnel related expenses increased as a result of increased staffing levels in order to service a growing customer base. These expenses represented 6.2% and 8.3% of revenue for the years ended December 31, 2016 and 2015, respectively.

Customer service related expenses and various other costs of service increased on an absolute basis primarily as a result of increased customer communication activities resulting from both a growing customer base, as well as increased levels of communication. These expenses represented 3.8% and 5.8% of revenue for the years ended December 31, 2016 and 2015.

General and Administrative Expense

General and administrative expense consists primarily of the following:

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

General and administrative expense increased $842,945, or 59.4%, from $1,418,033 during the year ended December 31, 2015 to $2,260,978 during the similar period in 2016. This increase is primarily the result of a $644,016 increase in personnel related expenses, a $84,277 increase in professional services, and an increase in investor relations expense of $20,875.

The increase in personnel related expense was driven by an increase in the number of information technology personnel, executive incentive compensation expenses and salary increases.

Going forward, general and administrative expense should increase modestly as our revenues increase, but decrease as a percentage of total revenue.

Benefit Broker Commission Expense

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

Benefits Broker commission expense increased by $1,487,943, or 160.0%, from $930,084 for the year ended December 31, 2015 to $2,418,027 for the year ended December 31, 2016.

Benefit Broker commission expense as a percent of Employee Benefit Channel revenue increased from 24.0% for the year ended December 31, 2015 to 26.9% for the year ended December 31, 2016, because a significant portion of our Employee Benefit Channel revenue growth during 2016 was generated by Benefit Brokers who earned higher commission rates.

Sales and Marketing Expense

Sales and marketing expense consists primarily of the following:

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

Sales and marketing expense for the year ended December 31, 2016 totalled $1,458,800 as compared to $878,365 for the similar period in 2015, an increase of $580,435, or 66.1%. The significant items contributing to this increase are as follows:

- A $278,004 increase in personnel related expenses due to the hiring of additional personnel;
- A $258,292 increase in trade shows, other sales event and promotional expenses; and
- A $44,139 increase in travel and entertainment expenses.

Adjusted EBITDA

For the year ended December 31, 2016, adjusted EBITDA improved by $874,525 to $1,519,033 as compared with $644,508 for the same period in 2015. The improvement in adjusted EBITDA is due to a $3,785,848 improvement in gross margin as described above, which was partially offset by a net increase in general and administrative, Benefit Broker commission expense and sales and marketing and expenses.

Adjusted EBITDA as a percent of total revenue increased from 12.0% for year ended December 31, 2015 to 14.8% for the year ended December 31, 2016.

(Expressed in U.S. Dollars)

Share-based Compensation

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

Share-based compensation expense for the year ended December 31, 2016 totaled $539,504 as compared to $58,796 for 2015, a increase of $480,708, or 817.6%. This increase was the result of options granted to officers, directors and employees in the second quarter of 2016 to purchase 7,393,000 of the Company's Ordinary Shares, which significantly increased share-based compensation expense in 2016.

Interest Expense

Interest expense for the years ended December 31, 2016 and 2015 consisted 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 finance leases and 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 includes the write-off of $63,666 of unamortized deferred financing fees as of the date the 2013 Credit Facility was repaid and terminated (see Note 7 to the consolidated financial statements).

Gain (Loss) on Warrant Liabilities

Certain of our warrant agreements, which expired on February 24, 2016, 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, could have resulted in a reduction of the exercise price of the warrants. We recorded these warrants as warrant liability at fair value in the consolidated statements of financial position. The warrant liability was measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statements of comprehensive income (loss) until such time as the warrants were exercised, expired or were permitted to be classified in shareholders' equity (deficit).

During the years ended December 31, 2016 and 2015, we recognized non-cash gains from the change in the fair value of these warrants of $317,709 and $81,609, respectively. These warrants expired on February 24, 2016, therefore no gains or losses will be recognized on these warrants in the future.

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

Litigation Provision

During the years ended December 31, 2016 and 2015, the Company recorded losses of $162,864 and $397,543, respectively to resolve a litigation claim with a Sales Affiliate. The provision for this claim represents the best estimate of the future outflow that will be required to settle the claim at the end of the reporting period and may vary in the future.

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.

Comparison of the quarter ended December 31, 2016 to the quarter ended December 31, 2015

Revenues

Revenue increased $1,179,870, or 82.9%, from $1,424,021 for the quarter ended December 31, 2015 to $2,603,891 for the quarter ended December 31, 2016.

Revenue from our Employee Benefits Channel increased $1,208,068, or 112.2%, from $1,076,934 for the quarter ended December 31, 2015 to $2,285,002 for the quarter ended December 31, 2016. The increase in our Employee Benefit Channel revenue from the fourth quarter of 2015 to fourth quarter of 2016 was the result of a 90.6% increase in the average monthly number of customers subscribing to our services and an 11.3% increase in the average monthly revenue generated per customer. The increase in customers in this channel is the result of our continuing efforts to expand our network of Benefit Brokers who promote our services to their employer clients and to increase the number of employer clients represented by these Benefit Brokers.

Revenue from our Tech Support Channel decreased $85,199, or 51.6%, from $165,044 for the quarter ended December 31, 2015 to $79,845 for the quarter ended December 31, 2016. The decrease in our Tech Support Channel revenue from the fourth quarter of 2015 to the fourth quarter of 2016 was the result of a decrease in the monthly average number of customers subscribing to our services from the Tech Support Channel.

Revenue from our Consumer Marketing and Other Channels, which includes revenue for our consumer marketing customers, customers we acquired in May 2013 from a third party and our anti-virus partner customers, increased by $57,001, or 31.3%, from $182,043 for the quarter ended December 31, 2015 to $239,044 for the quarter ended December 31, 2016. This increase was due primarily to an $80,557 increase in the revenue from sales on our website, which were partially offset by revenue decline from our Other Channels.

Cost of Service

Cost of service for the fourth quarter of 2016 was $726,193, resulting in a gross profit of $1,877,698, while our cost of revenue for the fourth quarter of 2015, was $442,335, resulting in a gross profit of $981,686. The gross margin for the fourth quarter of 2016 was 72.1% as compared to a gross margin of 68.9% for the fourth quarter of 2015.

Cost of service increased by $283,858 in the fourth quarter of 2016 as compared to the similar period in 2015, primarily the result of an $199,508 increase in data service expenses, a $61,255 in personnel related expenses and a $23,095 in other costs of revenue.

Our data costs increased as a result of a significant increase in the number of customers subscribing to services and from higher data costs per customer due to the additional costs for enhancements to our identity theft services. Data costs, as a percent of revenue, increased to 14.8% for the quarter ended December 31, 2016 from 13.0% in the prior year period.

Personnel related expenses increased as a result of increased staffing levels in order to service a growing customer base. These expenses represented 7.7% and 9.7% of revenue for the quarter ended December 31, 2016 and 2015, respectively.

Customer service related expenses and various other costs of service increased primarily as a result of increased customer communication expense as a result of both a growing customer base as well as increased levels of communication. These expenses represented 5.5% and 8.4% of revenue for the quarter ended December 31, 2016 and 2015.

General and Administrative Expense

General and administrative expense increased $257,031, or 68.4%, from $375,947 during the fourth quarter of 2015 to $632,978 during the fourth quarter of 2016. This increase is primarily due to a $160,835 increase in personnel related expense driven by an increase in information technology personnel and adjustments to executive compensation, and a $85,218 increase in legal and other professional services expenses.

Benefit Broker Commission Expense

Benefits Broker commission expense increased by $361,187, or 140.5%, from $257,042 for the quarter ended December 31, 2015 to $618,229 for the similar period in 2016.

Benefit Broker commission expense as a percent of Employee Benefit Channel revenue increased from 23.9% for the quarter ended December 31, 2015 to 27.1% for the quarter ended December 31, 2016, because a significant portion of our Employee Benefit Channel revenue growth during 2016 was generated by Benefit Brokers who earned higher commission rates.

(Expressed in U.S. Dollars)

Sales and Marketing Expense

Sales and Marketing expense for the fourth quarter of 2016 totaled $326,644 as compared to $236,768 for the similar period in 2015, an increase of $89,876, or 38.0%. This is the result of a $100,206 increase in personnel related expenses, which was partially offset by a decrease in promotional items expenses.

Adjusted EBITDA

For the fourth quarter of 2016, adjusted EBITDA increased by $187,918 to $299,847 as compared with $111,929 for the similar period in 2015.

Adjusted EBITDA as a percent of total revenue increased from 7.9% for quarter ended December 31, 2015 to 11.5% for the similar quarter in 2016.

Share-based Compensation

Share-based compensation expense for the fourth quarter of 2016 totaled $99,873 as compared to $20,383 for the similar period in 2015, a increase of $79,490, or 390.0%.

Interest Expense

Interest expense for the fourth quarter ended December 31, 2016 and 2015 consisted of the following:

	Three Months Ended December 31,	
	2016	**2015**
Accrued dividends on Series C Preferred	$ —	$ 61,468
Accretion of Series C Preferred liquidation preference	—	43,012
Amortization of fair value of Series C Preferred detachable warrants	—	47,086
Amortization of offering costs	—	28,729
Amortization of discount related to Series C Preferred amendment warrants	—	21,525
Interest expense on Promissory Notes	30,917	—
Interest expense on finance leases and debt, net.	10,856	696
Amortization of deferred financing fees	13,217	—
Total	$ 54,990	$ 202,516

(Expressed in U.S. Dollars)

Gain (Loss) on Warrant Liabilities

Certain of our warrant agreements, which expired on February 24, 2016, 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, could have resulted in a reduction of the exercise price of the warrants. We recorded these warrants as warrant liability at fair value in the consolidated statements of financial position. The warrant liability was measured at estimated fair value with subsequent changes in fair value recorded as a gain or loss in the consolidated statements of comprehensive income (loss) until such time as the warrants were exercised, expired or were permitted to be classified in shareholders' equity (deficit).

During the quarter ended December 31, 2016 and 2015, we recognized a non-cash gain (loss) from the change in the fair value of these warrants of nil and $(184,438), respectively.

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

Litigation Provision

During the quarter ended December 31, 2016 and 2015, the Company recorded a benefit (loss) of $1,290 and ($237,543), respectively, to resolve a litigation claim.

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

(Expressed in U.S. Dollars)

Liquidity and Capital Resources

	As of December 31,	
	2016	**2015**
Current Assets		
Cash	$ 1,405,920	$ 1,069,289
Trade receivables	618,106	311,136
Prepaid expenses	304,139	170,434
	2,328,165	1,550,859
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,961,113	$ 1,155,320
Deferred revenue	437,194	473,481
Revolving Facility	815,241	—
Term Loan – current portion	163,782	—
Litigation Provision	—	350,000
Finance lease obligation - current portion	3,973	18,532
	3,381,303	1,997,333
Net Working Capital Deficiency	**$ (1,053,138)**	**$ (446,474)**

As of December 31, 2016, cash totaled $1,405,920 compared to $1,069,289 as of December 31, 2015. Net working capital deficiency at December 31, 2016 was $(1,053,138) compared to $(446,474) at December 31, 2015, reflecting a reduction of $606,664 in net working capital. The Company entered into a Revolving Facility on September 30, 2016, and borrowings under the Revolving Facility, which are considered current liabilities, were used to repay long-term debt, thus increasing our working capital deficit.

For the years ended December 31, 2016 and 2015, cash provided by operations was $1,036,705 and $751,267, respectively. The increase in cash provided by operating activities, when comparing the two periods, was primarily the result of an $874,525 improvement in adjusted EBITDA from 2015 to 2016 which was reduced by the litigation provision of $465,321.

For the years ended December 31, 2016 and 2015, cash flows used in investing activities totaled $124,973 and $93,377, respectively. Cash flows used in investing activities in 2016 and 2015 were for capital expenditures, with the majority relating to computer hardware and software.

(Expressed in U.S. Dollars)

Cash flows used in financing activities totaled $561,884 and $475,077 for the years ended December 31, 2016 and 2015, respectively, and are as follows:

	Year Ended December 31,	
	2016	**2015**
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	—
Repayments of borrowing on Credit Facility...…….	(14,705)	(319,146)
Credit Facility fees……………………………….....	(144,933)	(140,000)
Repayment of finance lease obligation…………….	(18,532)	(15,931)
Net cash used in financing activities………………..	$ (575,101)	$ (475,077)

On September 30, 2016, the Company entered into the 2016 Credit Facility and used borrowings under the facility along with proceeds from the exercise of warrants to repay the Promissory Notes.

On June 19, 2015, the Company repaid all the outstanding principal, a prepayment fee and interest due on its 2013 Credit Facility and during the first half of 2015 paid the above listed Credit Facility fees (see Note 7 to the consolidated financial statements).

Capital Resources

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

As of December 31, 2016, our cash balances totaled $1,405,920. We are dependent upon our existing cash balances, along with cash flow generated from operations, available borrowings under our Revolving 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, and $539,453 and $751,267 for the year ended December 31, 2015, respectively. Given the Company's existing cash balances and projected cash provided by operating activities and available borrowings under our 2016 Credit Facility, 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 December 31, 2016).

The Company's Series C Preferred shares matured on February 24, 2016. The holders of the Series C Preferred had the right on or prior to the maturity date to convert each Series C Preferred share into 10,000 Ordinary Shares. 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.

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).

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 consists of up to 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 plus 3.00%, (6.75% total at December 31, 2016), and is secured 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.

As of December 31, 2016, borrowings outstanding on the Revolving Facility and Term loan were $925,000 and $485,295, respectively.

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.

Outstanding Share Data

We are authorized to issue up to 450,000,000 Ordinary Shares with no par value and up to 450,000,000 preferred shares. As of March 30, 2017, we have the following equity securities outstanding:

Ordinary Shares

- 143,480,776 Ordinary Shares;
- 2,493,085 warrants, each of which is exercisable for one Ordinary Share at an exercise price of $0.10; and
- 18,226,000 stock options, each of which is exercisable for one Ordinary Share at prices ranging from $0.06 to $0.14 per share.

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

Series C Preferred Stock

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.

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").

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.

(Expressed in U.S. Dollars)

Off-balance Sheet Arrangements

Other than the office lease commitment described in Note 9 of the Company's December 31, 2016 consolidated financial statements and obligations described in the "Commitments" section above, the Company did not have any off-balance sheet arrangements as of December 31, 2016.

Transactions with Related Parties

Equity Transactions

Prior to the maturity of the Series C Preferred shares on February 24, 2016, the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") held 50 and 75, respectively of Series C Preferred shares. In addition, the CEO and CFO held warrants to purchase 250,000 and 375,000 Ordinary Shares, respectively. In February 2016, these securities were converted, redeemed or exercised as follows:

	CEO	CFO	Total
Ordinary Shares issued upon conversion of Series C Preferred Shares (1)……….....	250,000	195,000	445,000
Ordinary Shares issued upon exercise of warrants with a $0.12 exercise price……...	250,000	375,000	625,000
Principal amount of Promissory Notes issued on Redemption of Series C Preferred Shares (2)………………………..	$ 42,006	$ 93,255	$ 135,261

(1) Each Preferred C Share was converted into 10,000 Ordinary Shares.

(2) Holders received $1,680.26 principal amount for each Preferred C Share which was redeemed by the Company.

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).

(Expressed in U.S. Dollars)

Remuneration

Remuneration paid to key management personnel is as follows:

	Years ended December 31, 2016	Years ended December 31, 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.

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.

Significant Accounting Judgment and Estimates

The preparation of 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 the 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 the 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 in the consolidated financial statements.

(ii) Warrants and options

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

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

(iii) Trade receivables and allowance for doubtful accounts

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

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.

Forward-looking Information and Statements

Certain statements contained in this report constitute forward looking information within the meaning of applicable securities laws. Implicit in this information, particularly in respect of the Company's future operating results, economic performance and the ultimate outcome of provisions and contingencies are assumptions regarding projected revenues and expenses. These assumptions, although considered reasonable by the Company at the time of preparation, may prove to be incorrect. Readers are cautioned that the Company's actual future operating results and economic performance are subject to a number of risks and uncertainties, including general economic, market and business conditions, and could differ materially from what is currently expected. Forward-looking information contained in this report is based on management's current estimates, expectations and projections, which management believes are reasonable as of the current date. The reader should not place undue reliance on forward-looking statements and should not rely upon this information as of any other date. In addition to presenting an analysis of results for the three month periods and years ended December 31, 2016 and 2015, this report also discusses certain important events that occurred between the end of the period and March 30, 2017.

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

- Estimation that Tech Support Channel revenue will decline between 50% to 55% in 2017 from the amount recognized in 2016, and will likely be insignificant on a monthly basis in the latter months of 2017—See Results of Operations.
- Efforts and plans to expand our Employee Benefit Channel and ultimately our customer base by significantly expanding the number of Benefit Broker relationships and the depth and breadth of our relationships within these Benefit Brokers Efforts -- See Marketing of Services;
- Belief that we will have sufficient liquidity to fund our operating activities and working capital needs for at least twelve months from December 31, 2016—See Capital Resources.

Business Risks

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

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

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

Ability to Retain Distribution Partners, Employers and Customers

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

Data Suppliers

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

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

Ability to Manage Future Growth

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

Competition

We operate in a highly competitive business environment and most of our competitors have substantially greater financial, technical, marketing, distribution and other resources than we possess, which affords them competitive advantages. In addition, some of our competitors may have access to data that we do not have or cannot obtain without difficulty, or at all. Any of these factors could reduce our growth, revenue, access to valuable data, or market share.

Litigation

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.

Any adverse outcome to our litigation could be material and could have a material adverse effect on our business, operating results and financial condition.

Security of Confidential Information

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

Government Regulation

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

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

State and Local Sales Taxes

Whether sales of our services are subject to state sales and use taxes is uncertain, due in part to the nature of our services and the relationships through which our services are offered, as well as changing state laws interpretations of those laws. While we believe we have taken appropriate steps to ensure our services are not subject to sales and use taxes, states or other jurisdictions may seek to impose tax collections obligations on us in the future. A successful assertion by any state or other jurisdiction that we should be collecting sales or use taxes on the sale of our services could, among other things, increase the cost of our services, create administrative burdens for us, result in tax liability for past sales, discourage current members and other consumers form purchasing our services, or otherwise harm or business and operating results.

Financial Instruments and Risk Management

Credit, Liquidity and Market Risks

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

Credit Risk

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

(Expressed in U.S. Dollars)

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.

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	2016 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

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.

This MD&A was authorized for issue by the Audit Committee and the Board of Directors on March 30, 2017.