

OMINTO, INC.

FORM 10-Q (Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number 0-49801

OMINTO, INC.



(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

13-4067623

(I.R.S. Employer
Identification No.)

1515 S. Federal Highway, Suite 307
Boca Raton, Florida 33432

(Address of principal executive offices)

561-362-2393

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer (515 not check if a smaller company)	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

The number of shares outstanding of each of the issuer's classes of stock, as of February 10, 2017 is as follows:

Number of shares of Common Stock outstanding: 17,533,020.

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PART I: FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****Ominto, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets**

	December 31, 2016 (unaudited)	September 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (amounts related to VIE of \$482,462)	\$ 11,919,351	\$ 9,596,394
Restricted cash	2,737,947	1,997,921
Other receivables and prepaid expenses (amounts related to VIE of \$649,594)	1,553,012	573,958
Deferred costs	13,402,431	7,431,751
Total current assets	29,612,741	19,600,024
Property and equipment, net (amounts related to VIE of \$236,572)	2,164,127	2,042,316
Goodwill (amount related to VIE of \$26,760,426)	26,760,426	-
Film costs (amounts related to VIE of \$4,034,679)	4,034,679	-
Investment in unconsolidated company, at cost	3,214,284	-
Other assets (amounts related to VIE of \$4,277)	55,710	42,471
TOTAL ASSETS	\$ 65,841,967	\$ 21,684,811
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT):		
CURRENT LIABILITIES:		
Accounts payable (amounts related to VIE of \$707,083)	\$ 2,485,839	\$ 1,560,001
Amounts payable to Business Associates	6,357,797	5,114,675
Customer deposits	2,466,831	2,829,220
Other payables and accrued liabilities (amounts related to VIE of \$2,262,192)	4,941,885	3,129,671
Deferred subscription fee revenue	21,285,227	13,111,338
Deferred advertising revenues	4,620,317	2,897,835
Due to related party	-	539,438
Liabilities of discontinued operations	-	26,975
Total current liabilities	42,157,896	29,209,153
LONG TERM LIABILITIES:		
Long term debt	1,857,834	-
Total long term liabilities	1,857,834	-
TOTAL LIABILITIES	44,015,730	29,209,153
Commitments and contingencies		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, \$.01 par value; 25,000,000 shares authorized; 185,000 and 185,000 shares issued and outstanding, respectively.	1,850	1,850
Common stock, \$.0001 par value; 200.0 million and 14.0 million shares authorized, respectively; 17.5 million and 13.4 million shares issued and outstanding, respectively.	17,533	13,386
Additional paid-in capital	67,776,371	51,120,663
Subscription receivable	(900,000)	-
Accumulated other comprehensive income	1,612,812	936,705
Accumulated deficit	(61,881,763)	(59,596,946)
Total Ominto, Inc. stockholders' equity (deficit)	6,626,803	(7,524,342)
Noncontrolling interests	15,199,434	-
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 65,841,967	\$ 21,684,811

See accompanying notes to condensed consolidated financial statements (unaudited)

Ominto, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended	
	December 31	
	2016	2015
REVENUE		
Business license fees	\$ 1,756,168	\$ 655,305
Membership subscription fees and commission income	3,656,594	4,600,106
Advertising and marketing programs	371,835	6,373
Other	87,875	170,445
	<u>5,872,472</u>	<u>5,432,229</u>
COST OF REVENUES	3,958,701	3,891,262
Gross Income	1,913,771	1,540,967
Selling, general and administrative expenses	4,296,497	3,799,393
LOSS FROM OPERATIONS	(2,382,726)	(2,258,426)
OTHER INCOME (EXPENSE):		
Interest income (expense)	(43,371)	(298,843)
Change in fair value of derivative liability	-	549,656
LOSS BEFORE INCOME TAXES	(2,426,097)	(2,007,613)
Income taxes	-	-
LOSS FROM CONTINUING OPERATIONS	(2,426,097)	(2,007,613)
Income from discontinued operations, net of taxes	26,055	3,848
Net loss including noncontrolling interest	\$ (2,400,042)	\$ (2,003,765)
Net loss attributable to noncontrolling interests	115,225	-
NET LOSS ATTRIBUTABLE TO OMINTO, INC.	\$ (2,284,817)	\$ (2,003,765)
EARNINGS (LOSS) PER SHARE		
Basic and diluted:		
Continuing operations	\$ (0.16)	\$ (0.17)
Discontinued operations	\$ 0.00	\$ 0.00
TOTAL LOSS PER SHARE - Basic and diluted, attributable to Ominto, Inc.	\$ (0.16)	\$ (0.17)
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic and diluted	14,528,550	11,572,289

See accompanying notes to condensed consolidated financial statements (unaudited).

Ominto, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three Months Ended	
	December 31	
	2016	2015
Net loss including noncontrolling interest	\$ (2,400,042)	\$ (2,003,765)
Foreign currency translation gains	676,107	198,512
	<u>(1,723,935)</u>	<u>(1,805,253)</u>
Comprehensive loss including noncontrolling interest	\$ (1,723,935)	\$ (1,805,253)
Comprehensive loss attributable to noncontrolling interest	115,225	-
Comprehensive loss attributable to Ominto, Inc.	<u>\$ (1,608,710)</u>	<u>\$ (1,805,253)</u>

See accompanying notes to condensed consolidated financial statements (unaudited).

Ominto, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Deficit)

	Preferred stock		Common stock		Additional paid-in capital	Subscription receivable	Accumulated other comprehensive income (loss)	Accumulated deficit	Total Ominto equity (deficit)	Non- controlling Interest	Total equity (deficit)
	Shares outstanding	Par value	Shares outstanding	Par value							
Balance, September 30, 2016	185,000	\$ 1,850	13,386,538	\$ 13,386	\$ 51,120,663	\$ -	\$ 936,705	\$ (59,596,946)	\$ (7,524,342)	\$ -	\$ (7,524,342)
Stock based compensation	-	-	-	-	329,227	-	-	-	329,227	-	329,227
Common stock issuance for services	-	-	173,950	174	440,326	-	-	-	440,500	-	440,500
Private placement	-	-	515,390	515	2,061,045	-	-	-	2,061,560	-	2,061,560
Common stock issued for Investment in unconsolidated company	-	-	803,571	804	3,213,480	-	-	-	3,214,284	-	3,214,284
Acquisition of subsidiary with non- controlling interests	-	-	2,428,571	2,429	9,711,855	-	-	-	9,714,284	15,314,659	25,028,943
Subscribed common stock sold	-	-	225,000	225	899,775	(900,000)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	676,107	-	676,107	-	676,107
Net loss	-	-	-	-	-	-	-	(2,284,817)	(2,284,817)	(115,225)	(2,400,042)
Balance, December 31, 2016	<u>185,000</u>	<u>\$ 1,850</u>	<u>17,533,020</u>	<u>\$ 17,533</u>	<u>\$ 67,776,371</u>	<u>\$ (900,000)</u>	<u>\$ 1,612,812</u>	<u>\$ (61,881,763)</u>	<u>\$ 6,626,803</u>	<u>\$ 15,199,434</u>	<u>\$ 21,826,237</u>

See accompanying notes to consolidated financial statements

Ominto, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Three Months Ended	
	December 31,	
	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Loss from continuing operations including noncontrolling interest	\$ (2,400,042)	\$ (2,007,613)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	113,583	19,299
Provision for doubtful accounts	104,275	-
Stock issued for services	440,612	-
Stock-based compensation	329,227	419,317
Change in fair value of derivative liability	-	(549,656)
Changes in operating assets and liabilities, net of effects of acquisition:		
Restricted cash	(895,268)	(74,636)
Accounts receivable	(30,785)	-
Other receivables and prepaid expenses	(516,161)	(665,756)
Deferred costs	(6,693,141)	549,306
Other assets	8,483	-
Accounts Payable	267,698	(73,311)
Amounts payable to Business Associates	1,644,373	23,476
Customer Deposits	(174,784)	141,246
Other payables and accrued liabilities	466,880	489,731
Amounts due to related parties - services rendered	(539,438)	(19,095)
Deferred subscription fee revenue	9,356,745	(690,936)
Deferred advertising revenue	1,985,862	64,411
NET CASH FLOWS FROM CONTINUING OPERATIONS	3,468,119	(2,374,217)
Net change in assets and liabilities of discontinued operations	(26,044)	13,172
Net cash flows from discontinued operations	(26,044)	13,172
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,442,075	(2,361,045)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Issuance of note receivable	(500,000)	-
Investment in debenture	(2,000,000)	-
Acquisition of business, net of cash acquired	25,251	-
Purchases of equipment and software	(1,743)	(374,900)
NET CASH FLOWS FROM INVESTING ACTIVITIES:	(2,476,492)	(374,900)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	2,061,560	-
Proceeds from exercise of warrant	-	250,000
Proceeds from convertible loan	-	1,400,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	2,061,560	1,650,000
Effect of exchange rate changes	(704,186)	(310,506)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,322,957	(1,396,451)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,596,394	3,531,124
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 11,919,351	\$ 2,134,673
Supplemental cash flow information:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -
Non-cash investing and financing activities:		
Conversion of convertible notes to common stock	\$ -	\$ 5,000,000
Reclass of derivative liability of warrants to stockholders' equity	\$ -	\$ 165,191
Common stock issued for acquisition	\$ 9,714,284	\$ -
Common stock issued for investment in unconsolidated company	\$ 3,214,284	\$ -
Subscribed common stock sold	\$ 900,000	\$ -
Common stock issued for services	\$ 440,500	\$ -

Ominto, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. The Company

On June 26, 2015, the Company changed its name to Ominto, Inc. (“Ominto,” the “Company,” “we,” “our,” or “us”) from DubLi, Inc. We are a global e-commerce Cash Back and network marketing company that operates a worldwide shopping website. We market membership subscriptions directly to consumers and through Partner Programs and our network marketing subsidiary. The Company is incorporated in the State of Nevada and our principal executive offices are located in Boca Raton, Florida. The Company operates under both the Ominto.com and DubLi.com websites.

The Company’s wholly owned operating subsidiaries are:

- Dublicom Limited (“DUBLICOM”), a Cyprus limited company, which operates DubLi Network’s white-label Cash Back shopping website, DubLi.com;
- DubLi Network Limited (“DubLi Network”), a British Virgin Islands limited company, which operates Ominto’s global network of Business Associates;
- DubLi Properties, LLC, a Delaware limited liability company, which holds certain rights to real estate in the Cayman Islands;
- DubLi India Private Limited, a Haryana, India company, which operates Ominto’s global network of Business Associates in India.
- BSP Rewards Inc., a Florida corporation, which operates Ominto’s Partner Program.
- Ominto India Private Limited, a New Delhi, India company, which operates Ominto’s Cash Back shopping website in India; and
- Ominto Limited, a limited company in Ireland, which operates Ominto’s Cash Back shopping website.

Our e-commerce Cash Back transactions throughout the world are conducted through DubLi.com’s shopping website. We have a large network of independent Business Associates (“BAs”) that sells our e-commerce Cash Back products.

In December, 2016, the Company acquired a controlling interest in Lani Pixels A/S (“Lani Pixels”), an animation production company focused on feature-length films and digital marketing content. Lani Pixels is based in Billund, Denmark which has offices in Denmark and Dubai, U.A.E. As a result of the transaction, the Company owns 40.02% of the outstanding common shares and controls 50.02% of the voting rights of Lani Pixels through the execution of a voting rights agreement with another Lani Pixels shareholder who is also a shareholder of Ominto. (See *Note 5, Acquisition* in the notes to financial statements). The Company exercises control over the operations of Lani Pixels. Lani Pixels will act as Ominto’s strategic content partner in the future.

In December, 2016, the Company also acquired a noncontrolling interest in Quant Systems, Inc. (“Quant”), an information technology service company in Irving, Texas. The Company owns 18.75% of the common shares of Quant and does not exercise control over the operations of Quant (see *Note 6, Investment in Unconsolidated Company* in the notes to financial statements).

Mr. Michael Hansen, the Chief Executive Officer and a Director of the Company, has a direct ownership of approximately 2.9 million shares of our common stock and 185,000 shares of our super voting preferred stock as of December 31, 2016. Each share of our super voting preferred votes as 40 shares of common stock. As a result, Mr. Hansen has the power to cast approximately 41% of the votes that could be cast by our stockholders as of December 31, 2016. Accordingly, he has the power to influence or control the outcome of important corporate decisions or matters submitted to a vote of our stockholders, including, but not limited to, increasing the authorized capital stock of the Company, the dissolution or merger of the Company, sale of all of the Company’s assets or changing the size and composition of the board of directors.

Increase in Authorized Shares

During October 2016, the Company’s shareholders approved the increase of its authorized shares of common stock to 200 million shares from 14 million shares and to increase its authorized shares under the 2010 Omnibus Equity Compensation Plan to 4.5 million shares from 3.0 million shares.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying interim condensed consolidated financial statements are unaudited. These condensed consolidated financial statements reflect all adjustments (which are of a normal recurring nature) that, in the opinion of Management, are necessary to fairly present the Company's financial position, results of operations and cash flows as of and for the periods presented. The results of operations for these interim periods are not necessarily indicative of the operating results for future periods, including the fiscal year ending September 30, 2017.

These condensed consolidated financial statements and notes are presented in accordance with the rules and regulations of the United States Securities and Exchange Commission ("SEC") relating to interim financial statements and in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted in these condensed financial statements pursuant to SEC rules and regulations, although we believe that the disclosures made herein are adequate to make the information not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2016.

The condensed consolidated financial statements include the accounts of Ominto, Inc. and its and its wholly-owned and a subsidiary that is consolidated under the Variable Interest Entity ("VIE") model. All significant intercompany transactions have been eliminated in consolidation.

The Company also consolidates less-than-wholly owned entities if the Company has a controlling financial interest in that entity. To determine if we hold a controlling financial interest in an entity, we first evaluate if we are required to apply the variable interest entity ("VIE") model to the entity. Otherwise the entity will be evaluated under the voting interest model. Where we hold current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE's economic performance combined with a variable interest that gives us the right to receive potentially significant losses, we have a controlling financial interest in that VIE. Rights held by others to remove the party with power over the VIE are not considered unless one party can exercise those rights unilaterally. When changes occur to the design of an entity, we reconsider whether it is subject to the VIE model. We will continuously evaluate whether we have a controlling financial interest in a VIE.

Reclassifications

Certain amounts as reported in fiscal year 2016 have been reclassified to conform to the fiscal year 2017 financial statement presentation.

Use of Estimates and Judgments

The preparation of these condensed consolidated financial statements, in conformity with US GAAP requires us to make estimates and assumptions that affected the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

For acquisition purposes, the process for estimating the fair values of identifiable intangible assets and certain tangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. The fair value estimates are primarily based on Level 3 inputs including future expected cash flow, market rate assumptions and discount rates. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results of operations.

Recent Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash (Topic 230): Restricted Cash* (“ASU 2016-18”), which reduces the diversity in the treatment of Restricted cash in the Statement of Cash Flows. This ASU requires that restricted cash and restricted cash equivalents be included with unrestricted cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash and cash equivalents. Public business entities are required to adopt this ASU for fiscal years beginning after December 15, 2017, with other entities adopting it for fiscal years beginning after December 15, 2018. Early adoption is permitted. Currently the Company separates restricted cash and cash equivalents from its unrestricted cash and cash equivalents when reconciling the beginning and end of period total cash and cash equivalents and only reports the net change in restricted cash and cash equivalents in the statement of cash flows. In future, the Company’s sources and uses of restricted cash and cash equivalents will be combined with its sources and uses of unrestricted cash and cash equivalents in the statement of cash flows. The Company does not expect the adoption of this ASU to have a material effect on its statement of cash flows.

In December 2016, the FASB issued ASU 2016-19, *Technical Corrections and Improvements* (“ASU 2016-19”), which clarifies, corrects and amends various FASB Codification Subtopics. ASU 2016-19 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016 and shall be applied prospectively. The Company does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In December 2016, the FASB issued ASU 2016-20, *Technical Corrections & Improvements to Topic 606: Revenue from Contracts with Customers* (“ASU 2016-20”), which makes minor corrections or improvements to the Codification related to ASU 2014-09 Revenue from Contracts with Customers (the new Revenue Recognition Standard). The effective date for ASU 2016-20 is the same as the effective date for ASU 2014-09 Revenue from Contracts with Customers which date was deferred by ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. Public business entities are required to adopt this ASU for fiscal years beginning after December 15, 2017, with other entities adopting it for fiscal years beginning after December 15, 2018, with interim reporting periods beginning after December 15, 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company has begun the process of evaluating the potential impact of adoption of this ASU and does not expect the adoption of this ASU or the adoption of the related new Revenue Recognition standard to have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-03, *Accounting Changes & Error Corrections and Investments – Equity Method and Joint Ventures: Amendments to SEC Paragraphs pursuant to Staff Announcements* (“ASU 2017-03”), which amends various FASB Codification Topics. Public business entities are required to adopt this ASU for fiscal years beginning after December 15, 2019, with other entities adopting it for fiscal years beginning after December 15, 2020. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The Company does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which simplifies the method of testing for goodwill impairment by eliminating Step 2 (comparing the implied fair value of goodwill with the carrying amount of goodwill) for entities that have not adopted the private company alternative for goodwill impairment testing. Entities that have not adopted the private company alternative for goodwill impairment testing may use a one-step quantitative test to determine the amount, if any, of good will impairment (comparing the fair value of goodwill to the carrying amount). Under ASU 2017-03, Public business entities that are SEC filers are required to adopt this ASU for fiscal years beginning after December 15, 2019, with public business entities that are not SEC filers adopting it for fiscal years beginning after December 15, 2020 and all other filers adopting in fiscal years beginning after December 15, 2021. Early adoption is permitted as for interim and annual goodwill impairment of annual reporting periods beginning after January 1, 2017. The Company does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

Foreign Currency

Financial statements of foreign subsidiaries operating in other than highly inflationary economies are translated at period-end exchange rates for assets and liabilities and average exchange rates during the period for income and expense accounts. The resulting translation adjustments are recorded within accumulated other comprehensive income or loss. Financial statements of subsidiaries operating in highly inflationary economies are translated using a combination of current and historical exchange rates and any translation adjustments are included in current earnings. Gains or losses resulting from foreign currency transactions are recorded in operating expense. We have no subsidiaries operating in highly inflationary economies.

In accordance with FASB’s Accounting Standards Codification (“ASC”) 830, *Foreign Currency Matters*, companies with foreign operations or foreign currency transactions are required to prepare the statement of cash flows using the exchange rates in effect at the time of the cash flows. We use an appropriately weighted average exchange rate for the period for translation if the result is substantially the same as if the rates at the dates of the cash flows were used. The condensed consolidated statement of cash flows reports the effect of exchange rate changes on cash balances held in foreign currencies as a separate part of the reconciliation of the change in cash and cash equivalents during the period.

Cash and Cash Equivalents

We consider all highly liquid instruments with original maturities of three (3) months or less at the date of transaction to be cash equivalents. We maintain our cash in bank deposit accounts in the United States, Cyprus and United Arab Emirates, which at times may exceed the federally insured limits in those countries. We have not experienced any losses in such accounts and believe we are not exposed to any significant credit risk on cash and cash equivalents.

Restricted Cash

We have agreements with organizations that process our credit card transactions. The credit card processors have financial risk of chargebacks associated with the credit card transactions because the processor generally forwards us the cash proceeds soon after each transaction is completed but before the expiration of the time period in which the purchaser may request a refund. Our agreements with the credit card processors allow them to create and maintain a reserve account by retaining a certain portion of the cash generated from the credit card transactions that would otherwise be delivered to us, herein known as “Restricted Cash”. The reserve requirement with each card processor is set at their respective fixed percentage for all transactions to be held for their respective rolling term period from the date of the transaction.

Allowance for Doubtful Accounts

Receivables are uncollateralized obligations due under normal trade terms, typically requiring payment within 30 days from invoice date. Receivables are stated at the contractual amount billed, net of an allowance for doubtful accounts, if any. Accounts dated over 90 days old are considered past due. We estimate the allowance based on an analysis of specific accounts, taking into consideration the age of past due accounts and an assessment of the debtors’ ability to pay. Interest income is not recognized on past due accounts.

Business Acquisitions

The Company accounts for business acquisitions under the purchase method of accounting, whereby the purchase price (defined as the total consideration transferred to acquire the business) is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair value. The excess of the purchase price over the estimated fair value of the net identifiable assets is allocated to goodwill. The determination of estimated fair value requires significant estimates and assumptions including, but not limited to, expected use of the assets acquired, the expected cost to extinguish a liability, future cash flows to be generated from intellectual property and developing appropriate discount rates and market multiples. A change in the estimated fair value of an asset or liability often has a direct impact on the amount to recognize as goodwill, which is an asset that is not an adjustment made to the allocations of the purchase price, or adjustments made as a result of changes in estimates or assumptions, could impact the amount of assets, including goodwill, and liabilities, ultimately recorded on the Company’s balance sheet and could impact its operating results subsequent to such acquisition.

Investments in unconsolidated company

The Company uses the cost method of accounting for investments in companies in which it has a 20% or less ownership interest and does not have the ability to exercise significant influence. Such investments are presented as investments in unconsolidated entities on the Company’s consolidated balance sheets (refer to *Note 6, Investments in Unconsolidated Companies* for further information of such investments). Dividends received from distributions of net accumulated earnings are recognized as income. Dividends received in excess of net accumulated earnings will reduce the cost of our investment. We will record impairment of investments when we determine that there has been an other-than-temporary decline in the entity’s estimated fair value compared to its carrying value.

Film Costs

Lani Pixels capitalizes direct film production costs. Film production costs include costs to develop and produce computer animated motion pictures, which primarily consists of salaries, equipment and overhead. Production overhead, a component of film costs, includes allocable costs of individuals or departments with exclusive or significant responsibility for the production of our films. In the event a film is not set for production within three years from the time of the first capitalized transaction, all such costs will be expensed.

Once a film is released, capitalized film production costs are amortized in the proportion that the revenue during the period for each film bears to the estimated revenue to be received from all sources under the individual-film-forecast-computation method as defined in FASB’s Accounting Standards Codification 926-605-25. The amount of film costs that are amortized each quarter depends on how much future revenue is expected to be received from each film. The Company makes certain estimates and judgments of future gross revenues to be received for each film based on historical results and management’s knowledge of the industry. Estimates of anticipated total gross revenues are reviewed periodically and may be revised if necessary. A change to the estimate of gross revenues for an individual film may result in an increase or decrease to the percentage of amortization of capitalized film costs relative to a previous period. Unamortized film production costs are compared with net realizable value each reporting period on a film-by-film basis to assess whether there are any indicators of impairment. If estimated remaining gross revenues are not sufficient or are indicative of a potential impairment, the unamortized film production costs will be written down to fair value.

Property and Equipment

Property and equipment are recorded at cost. Computers and equipment, computer software, furniture and fixtures are depreciated over its useful life of five (5) years. Leasehold improvements included in furniture and fixtures are amortized on a straight-line basis over the term of the lease. Land is not amortized. The cost of maintenance and repairs of equipment is charged to expense when incurred. When we sell, dispose of or retire property and equipment, the related gains or losses are included in operating results.

Internal-use Software and Website Development

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful life of the software. Costs related to design or maintenance of internal-use software and website development are expensed as incurred.

Impairment of Long-Lived Assets

In accordance with ASC 360, *Property, Plant and Equipment - Subsequent Measurement* ("ASC 360"), we review the carrying value of our long-lived assets annually or whenever events or changes in circumstances indicate that the historical cost-carrying value of an asset may no longer be appropriate. We assess recoverability of the carrying value of the asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. The estimate of cash flows is based upon, among other things, certain assumptions about expected future operating performance, growth rates and other factors. Estimates of undiscounted cash flows may differ from actual cash flows due to, among other things, technological changes, economic conditions, changes to the business model or changes in operating performance. If the sum of the undiscounted cash flows (excluding interest) is less than the carrying value, an impairment loss will be recognized, measured as the amount by which the carrying value exceeds the fair value of the asset. Fair value is determined using available market data, comparable asset quotes and/or discounted cash flow models.

Goodwill

The Company evaluates goodwill annually for impairment using either a quantitative or qualitative analysis. We perform a quantitative analysis using a discounted cash flow model and other valuation techniques, but may elect to perform a qualitative analysis. A qualitative analysis may be performed by assessing certain trends and factors, including projected market outlook and growth rates, forecasted and actual sales, operating profit margins, discount rates, industry data and other relevant qualitative factors. These trends and factors are compared to, and based on, the assumptions used in the most recent quantitative assessment. Additionally, goodwill is evaluated for impairment whenever events or circumstances indicate there may be a possible permanent loss of value.

Fair Value of Financial Instruments

We adopted ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820") for measurement and disclosures about the fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value using a three-level hierarchy which prioritizes the inputs to valuation techniques used to measure fair value.

The book value of our financial instruments consisting of cash, receivables, deferred costs, accounts payable and accrued liabilities approximate their respective fair values because of the short maturity of these instruments.

The three levels of fair value hierarchy defined by ASC 820 are:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2 - Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life; and

Level 3 - Inputs reflect Management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model. Valuation of instruments includes unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets or liabilities.

Determining which category an asset or liability falls within the hierarchy requires significant judgment. We evaluate our hierarchy disclosures each quarter.

Due to their short-term maturity, the carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and other current liabilities approximate their fair values. Management believes the carrying values of notes and other receivables, deferred costs, deferred revenue and other assets and liabilities approximate their fair values.

Revenue Recognition

We recognize revenues in accordance with ASC 605, *Revenue Recognition* which requires that four basic criteria be met before revenues can be recognized: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the selling price is fixed and determinable; and (iv) collectability is reasonably assured. Determination of criteria (iii) and (iv) are based on Management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and Cash Back to customers, commissions, estimated returns and allowances, and other adjustments are recorded in the same period the related revenues are recorded. We defer any revenues that are subject to refund, and, for which the product has not been delivered or the service has not been rendered.

DubLi Network, the Company's wholly owned subsidiary, has a global network marketing organization with Business Associate ("BA") representatives in many countries throughout the world. The Company offers BAs a wide variety of products and services to sell to their customers. BAs earn commissions on sales of products and services that they sell directly and indirect sales from their sales organizations.

Dublicom, the Company's wholly owned subsidiary, offers various membership packages to customers and a program for business clients ("Partner Program").

Our revenue recognition policies for each of our products and services are as follows:

E-commerce and memberships

- Business license fees – BAs pay an initial business license fee and Partner Program participants (excluding not-for-profit organizations) pay a setup fee for the marketing and training services provided by us which enables them to begin their sales of DubLi.com's products and services. The business license fee or partner setup fee is recognized as revenue ratably over twelve (12) months.

- Membership subscription fees - (i) Effective April 2014 our BAs are required to purchase our membership subscription products for resale in the form of a qualifying VIP membership or VIP membership packages for BAs or membership packages for DubLi's customers as described under item (ii) below. These membership subscription products have a shelf life of twelve months. Revenue is recognized ratably over a twelve-month period when any membership subscription product is activated or immediately upon expiry; and (ii) DubLi customers who purchase a VIP membership package pay on an annual basis which is recognized ratably over the subscription period.

Multi-element Arrangements – When Dubli Network sells business licenses, VIP membership vouchers, training and certification programs and marketing programs to BAs in bundles, the transaction price is allocated to each component of Revenue in proportion to the stand-alone selling price. Stand-alone selling price is based on vendor-specific objective evidence (“VSOE”) of fair value. VSOE of fair value is determined based on the price charged where each deliverable is sold separately or a price set by management with the relevant authority.

At the end of the fourth quarter of fiscal year 2015, we concluded that we had accumulated a sufficient level of historical data from a large pool of homogenous transactions to allow management to reasonably and objectively determine an estimated unused and expired VIP voucher rate and the pattern of VIP voucher redemptions. Under this method, revenue is recognized and the VIP voucher liability is relieved for unredeemed VIP vouchers in proportion to actual VIP voucher redemptions. We believe this method is appropriate for recognizing revenue on expiration or use, because it better reflects the VIP voucher earnings process. In accordance with Accounting Standards Codification (ASC) Topic 250, “Accounting Changes and Error Corrections,” we concluded that this accounting change represented a change in accounting estimate effected by a change in accounting principle. Accordingly, we accounted for the change as a change in estimate utilizing the cumulative catch-up method. The impact of the cumulative catch-up recorded at the end of the fourth quarter 2015 was to reduce VIP voucher deferred revenue and increase Revenue by approximately \$9.3 million.

Membership Voucher Revenue is based on an analysis of estimated breakage and redemption effective rates. The breakage percentage rates are estimated based on historical trends and are adjusted periodically based on actual breakage rates. Membership Voucher Revenue and Deferred Revenue calculations are based on a ratable ‘waterfall’ method whereby the monthly purchases are allocated between redeemed vouchers and estimated breakage. This allocation is then amortized over a 12-month period. The allocations are based on actual experience from inception to the current date.

We believe it is appropriate to recognize revenues on this basis in order to more closely match revenue and related costs. We believe that the use of recent historical data is reasonable and appropriate because of the relative stability of the average actual number of VIP membership's redeemed.

- Commission income – We receive varying percentages in commission income earned from merchants participating on our online shopping platform. These commissions are calculated based upon the agreed rates with the participating merchants on all customer's transactions processed through our online shopping website and are recognized on an accrual basis based upon data obtained from the merchant. A percentage of the commission income is payable in the form of Cash Back, to the customer for all purchase transactions. This Cash Back amount due the customer is accrued as a deduction from commission income at the time the commission income is recognized. Commission receivable from merchants is included in other receivables and prepaid expenses.

- Advertising and marketing – The Company offers three advertising programs which are sold to BAs and/or Partners in advance of several advertising campaigns to generate new DubLi.com shopping customers for our BAs and/or Partners. Revenues for the respective advertising and marketing programs are recognized in accordance with the terms and obligations under the programs.
- Film production revenue - Lani Pixels recognizes film revenue from the distribution of its animated feature films and related products when earned and reasonably estimable in accordance with FASB Accounting Standards Codification 926-605-25. The following conditions are met in order to recognize revenue:
 - Persuasive evidence of a sale or licensing arrangement with a customer exists;
 - the film is complete and, in accordance with the terms of the arrangement, has been delivered or is available for immediate and unconditional delivery;
 - the license period of the arrangement has begun and the customer can begin its exploitation, exhibition or sale;
 - the arrangement fee is fixed or determinable; and
 - collection of the arrangement fee is reasonably assured.

If one of more of the preceding conditions are not met, Lani Pixels defers recognizing revenue until all of the conditions are met.

Lani Pixels recognizes revenue from its films net of distribution fees, reserves for returns, and marketing and distribution expenses.

Deferred Subscription Fee Revenue

Deferred subscription fee revenue relates to unearned revenue associated with VIP memberships. We sell memberships and payments are received in advance of customers using the memberships. We amortize deferred subscription fee revenue over the period of the subscription which is usually 12 months.

Deferred Advertising Revenue

Deferred advertising revenue relates to unearned revenues associated with advertising and marketing fees collected in advance from BAs that are amortized as customers are allocated to the BAs in accordance with the terms and obligations under the programs.

Deferred Business License Revenue

Deferred Business License Revenue relates to unearned revenue associated with business license fees collected in advance from BAs and setup fees collected in advance from Partners that are recognized ratably over twelve months.

Cost of Revenues

Cost of revenues are principally commissions based upon each Business Associate's volume of sales, any "down-line" sales by other Business Associates under the sponsoring Business Associate, and purchase transactions through our shopping website made by customers under the sponsoring Business Associate. Commissions due to Business Associates at the time of such transaction are recorded as deferred costs until the corresponding revenues are recognized. Special incentive bonuses are recognized when the Business Associate meets the sales target goals or specific criteria, and are recorded as deferred costs which are then expensed ratably as the corresponding revenues are recognized.

Cost of revenues also includes commissions paid to Partners and Cash Back paid to customers that is in excess of Cash Back paid to customers with a free membership.

Commissions and other incremental direct costs including credit card processing fees in connection with the discontinued auction program are reported as cost of revenues under discontinued operations.

Lani Pixels' costs of revenues related to our Film production and animation segment are currently minimal. In the future, these costs will primarily include the amortization of capitalized costs, participation and residual costs and write-offs of amounts previously capitalized for titles not expected to be released or released titles not expected to recoup their capitalized costs. The amortization of capitalized costs is based on the amount of revenues earned from all markets.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include costs associated with advertising expenses, stock compensation, staff payroll costs, outside services, bank transaction fees, and other general administrative costs.

Noncontrolling Interests

A noncontrolling interest represents the other equity holder's interest in an entity that the Company consolidates. Noncontrolling interests are classified as a separate component of equity in the Company's consolidated balance sheets and statements of equity. Net income (loss) and comprehensive income (loss) attributable to noncontrolling interests are reflected separately from the consolidated net income (loss) and comprehensive income (loss) in the consolidated statements of operations and statements of stockholders' equity. Any change in ownership of a subsidiary while the controlling financial interest is retained is accounted for as an equity transaction between the controlling and noncontrolling interests

Comprehensive Income (loss)

Comprehensive income (loss) is net earnings or loss after tax plus certain items that are recorded directly to stockholders' equity. Other than foreign currency translation adjustments, we have no other comprehensive income (loss) components.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740") under which deferred tax assets and liabilities are determined based on temporary differences between accounting and tax bases of assets and liabilities and net operating loss and credit carry forwards, using enacted tax rates in effect for the year in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized. A provision for income tax expense is recognized for income taxes payable for the current period, plus the net changes in deferred tax amounts.

In accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes*, we adopted a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, accounting for income taxes in interim periods and income tax disclosures.

In the event of a distribution of the earnings of certain international subsidiaries, we would be subject to withholding taxes payable on those distributions to the relevant foreign taxing authorities. Since we currently intend to reinvest undistributed earnings of these international subsidiaries indefinitely, we have made no provision for income taxes that might be payable upon the remittance or repatriation of these earnings. We have also not determined the amount of tax liability associated with an unplanned distribution of these permanently reinvested earnings. In the event that in the future we consider that there is a reasonable likelihood of the distribution of the earnings of these international subsidiaries (for example, if we intend to use those distributions to meet our liquidity needs), we will be required to make a provision for the estimated resulting tax liability, which will be subject to the evaluations and judgments of uncertainties described above.

We conduct business globally and, as a result, one or more of our subsidiaries file income tax returns in U.S. federal and state, and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities in the countries in which each respective subsidiary operates. We are currently under ongoing tax examinations in several countries. While such examinations are subject to inherent uncertainties, we do not currently anticipate that any such examination would have a material adverse impact on its consolidated financial statements.

Earnings (Loss) per Share

We compute basic earnings (loss) per share by dividing the income (loss) attributable to holders of common stock for the period by the weighted average number of shares of common stock outstanding during the period. The potential impact of all common stock equivalents was excluded from the number of shares outstanding used for purposes of computing net loss per share as the impact of such equivalents was anti-dilutive due to the loss from continuing operations. Potential dilutive securities, which consisted of outstanding stock options and other compensation arrangements not included in dilutive weighted average shares for the three (3) months ended December 31, 2016 and 2015 were approximately 1.1 million and 1.4 million, respectively.

Stock-Based Compensation

We account for stock-based compensation in accordance with ASC 718, *Share-Based Compensation*, which requires the use of the fair value method to determine compensation for all arrangements under which employees and others receive shares of stock or equity instruments (warrants and options). The fair value of each option award is estimated on the date of grant using the Black-Scholes valuation model that uses assumptions for expected volatility, expected dividends, expected term, and the risk-free interest rate. Expected volatility is based on weighted average of the historical volatility of the Company's common stock and selected peer group comparable volatilities and other factors estimated over the expected term of the options. The expected term of stock options granted is derived using the "simplified method" which computes expected term as the average of the sum of the vesting term plus the contract term. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the period of the expected term.

Segment Policy

We derive our revenues from an E-Commerce and Memberships segment which includes business license fees, membership subscription fees, commission income, and, advertising and marketing programs and a Film production and Animation segment, as described in Note 15, Segment Information in the notes to financial statements.

3. Earnings/Loss Per Share

Basic earnings or loss per share is computed by dividing net income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income or loss available to common shareholders by the number of fully diluted shares, which includes the effect of dilutive potential issuances of common shares as determined using income from continuing operations, including the potential issuance of common shares upon the exercise, conversion or vesting of outstanding stock options and unvested restricted shares, as calculated under the treasury stock method, as well as shares associated with the Company's convertible debt securities, which were converted during fiscal year 2017. When the Company reports a net loss, rather than net income, from continuing operations, the computation of diluted loss per share excludes dilutive common stock equivalents as their effect would be anti-dilutive. Therefore, weighted average dilutive common shares would be excluded from the calculation. The Company reported a net loss from continuing operations for the three months ended December 31, 2016 and had no dilutive common stock equivalents at December 31, 2016 that affected diluted net loss per share for the related period.

For the three months ended December 31, 2016, there were 1.1 million potentially dilutive securities, representing outstanding stock options and other compensation arrangements. For the three months ended December 31, 2015, potential dilutive securities, which consisted of outstanding stock options, warrants and other compensation arrangements amounted to approximately 1.4 million common stock equivalents.

4. Restricted Cash

Restricted cash represents chargeback reserves held by the Company's credit card processor. Amounts of restricted cash held, by type of currency were as follows:

	As of	
	December 31, 2016	September 30, 2016
Euro	\$ 187,519	\$ 136,835
Australian Dollar	9,931	7,247
Indian Rupee	249,073	181,752
United States Dollar	2,291,424	1,672,087
Total	\$ 2,737,947	\$ 1,997,921

5. Acquisition

On December 13, 2016, the Company acquired a 40.02% economic interest in a Denmark-based company named Lani Pixels A/S (“Lani Pixels”) for total consideration of \$10.2 million. Lani Pixels is an animation production company focused on feature length films and digital marketing content. Lani Pixels is based in Billund, Denmark and it has offices in Denmark and Dubai, U.A.E. The Company owns 40.02% of the common shares and controls 50.02% of the voting rights of Lani Pixels. Lani Pixels is a Variable Interest Entity (“VIE”) based on its governance structure and we consolidate Lani Pixels in our consolidated financial statements since we have the power to direct activities that most significantly impacts its economic performance. We have a voting rights agreement with a 10% shareholder granting us the irrevocable right to vote their shares in our favor. Additionally, the Company holds a majority of the seats on the Board of Directors of Lani Pixels (3 out of 5 board seats). There are no liquidity arrangements, guarantees or other financial commitments between the Company and Lani Pixels, and therefore, our maximum risk of financial loss is our 40.02 % interest and \$2.5 million in debt, consisting of a \$500,000 note payable and \$2.0 million debenture. Lani Pixels will act as Ominto’s strategic content partner in the future.

The transaction consisted of three parts:

(1) The Company entered into a Share Exchange Agreement with Lani Pixels pursuant to which Lani Pixels issued and transferred to the Company, all rights, title, and interest in and to shares of Lani Pixels’ common stock representing an aggregate of 20% of the issued and outstanding common stock of Lani Pixels on a fully diluted basis in exchange for purchased one million two hundred eighty-five thousand seven hundred fourteen (1,285,714) shares of the Company’s common stock (“Common Stock”), valued at \$4.00 per share. In addition, the Company loaned Lani Pixels \$500,000 and Lani Pixels issued a promissory note in the amount of \$500,000 (“Note”) to the Company. The Note matures on October 31, 2017 and accrues interest at a rate of 3% per annum. The Company also purchased a senior secured debenture (the “Debenture”) from Lani Pixels in the amount of \$2.0 million. The Debenture has a coupon of 5% per annum, payable semi-annually and a running fee that entitles the Company to 3% of the gross revenues from July 1, 2017 to and including December 31, 2025, paid semi-annually on February 12, 2018 for the preceding semi-annual period from July 1 through December 31. The Debenture matures on February 12, 2026 and has a call option under which the principal amount may be redeemed in whole from February 12, 2018 or on any consecutive coupon date thereafter (see Note 10, *Long Term Debt*) .

(2) The Company entered into a Share Exchange Agreement with Kim Pagel (“Pagel”), pursuant to which Pagel transferred to the Company, all rights, title, and interest in and to shares of Lani Pixels’ common stock that represents an aggregate of 20% of the issued and outstanding common stock of Lani Pixels on a fully diluted basis in exchange for one million one hundred forty-two thousand eight hundred fifty-seven (1,142,857) shares of the Company’s common stock (“Common Stock”), valued at \$4.00 per share, and an additional cash amount of \$500,000.

(3) The Company entered into a Share Purchase Agreement with Paseco ApS (“Paseco”), pursuant to which Paseco sold to Ominto 1,000 shares or .02% of the issued and outstanding common stock of Lani Pixels’ common stock for \$4,000 (“Purchase Price”). The promissory note matures on February 28, 2017.

The financial position, results of operations and cash flows of the Lani Pixels acquisition have been included in our consolidated financial statements since December 13, 2016.

The following reconciles the aggregate purchase price for the Lani Pixels acquisition to the cash paid for the acquisition, net of cash required:

Purchase price	\$ 10,218,284
Less: cash acquired	525,251
Purchase price, net of cash acquired	9,693,033
Less: common stock issued	9,714,284
Less: promissory note issued	4,000
Net cash inflow	\$ 25,251

The fair value of the common stock issued as part of the consideration paid for Lani Pixels was determined on the basis of the closing market price of the common stock on the acquisition date.

Lani Pixels is a Variable Interest Entity (“VIE”) based on the governance structure. Therefore, we have consolidated Lani Pixels in our consolidated financial statements because we have the power to direct activities that most significantly impact Lani Pixels’ economic performance. We also have a voting rights agreement with a 10% shareholder that granted us the irrevocable right to vote those shares in our favor. Additionally, Ominto and Lani Pixels signed an amendment to the Share Exchange Agreement, whereby Lani Pixels acknowledges and agrees to ensure Ominto receives a minimum of three (3) seats on the Board of Directors of Lani Pixels, which shall at all times represent a majority of the Board of Directors. There are no liquidity arrangements, guarantees or other financial commitments between us and Lani Pixels, and therefore our maximum risk of financial loss is our 40.02% interest.

The transaction is being accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and liabilities assumed be recognized at their respective fair values as of the acquisition date. Acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. The process for estimating the fair values of identifiable intangible assets and certain tangible assets and assumed liabilities requires the use of judgment in determining the appropriate assumptions and estimates. The fair value estimates are primarily based on Level 3 inputs including future expected cash flow, market rate assumptions and discount rates. The entire purchase price allocation for Lani Pixels is preliminary. As the Company finalizes the fair value of assets acquired and liabilities assumed, additional purchase price adjustments will be recorded during the measurement period during fiscal year 2017. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact the Company's results of operations. The finalization of the purchase accounting assessment will result in changes in the valuation of assets acquired and liabilities assumed and may have a material impact on the Company's consolidated financial statements.

The table below presents the preliminary estimated fair values of the assets acquired and liabilities assumed on the acquisition date. These preliminary estimates will be revised during the measurement period as third-party valuations are finalized, additional information becomes available and as additional analyses are performed, and these differences could have a material impact on the Company's results of operations and financial position.

Assets acquired and liabilities assumed:

Cash and cash equivalents	\$ 525,251
Accounts receivable	211,606
Other receivables and prepaid expenses	367,444
Property and equipment	235,143
Identifiable intangible assets	-
Goodwill	26,760,426
Capitalized production costs	4,039,143
Accounts payable	(710,634)
Note payable, other payables and accrued liabilities	(2,037,602)
Long term liabilities	(3,857,834)
Noncontrolling interest upon acquisition of business	(15,314,659)
Purchase price	\$ 10,218,284

Unaudited Pro Forma Information

The Company is unable to present supplemental unaudited pro-forma results as if Lani Pixels had been consolidated as of the beginning of the year immediately preceding the year in which Lani Pixels was acquired because Lani Pixel's quarterly financial statements for the quarters ended December 31, 2016 and December 31, 2015 are not yet available. The audit of Lani Pixels for these periods is in process and we expect to provide proforma supplemental results in a Report on Form 8-K during the second quarter ended March 31, 2017.

6. Investment in Unconsolidated Company

On December 13, 2016 ("Closing Date"), the Company entered into a Share Exchange Agreement (the "Quant Agreement") with Quant Systems, Inc. ("Quant"), pursuant to which Quant purchased eight hundred three thousand five hundred seventy-one (803,571) shares (the "Ominto Shares") of the Company's common stock ("Common Stock"), valued at \$4.00 per share and in exchange, Quant issued and transferred to the Company, all rights, title, and interest in and to shares of Quant's common stock that represents an aggregate of 18.75% of the issued and outstanding common stock of Quant on a fully diluted basis.

Quant Systems, Inc. is an advisory and IT solutions firm providing cutting-edge technology applications that improve and empower businesses. Quant Systems' comprehensive services include technical consulting, software implementation and re-engineering, big data and analytics, cloud infrastructure, mobile strategy and robotics. This strategic collaboration aligns Ominto with a strong IT solutions partner known for its innovative software development and emerging technologies. Combining Ominto's business model with Quant's technology proficiency allows us to deliver a world-class Cash Back experience, on a global basis, for the benefit of our Partner Program relationships and our shopping customers.

The Company has paid approximately \$520,000 to Quant for advisory and IT solutions services during the three months ended December 31, 2016. These costs were expensed and included in selling, general and administrative expenses in the accompanying statement of operations for the three months ended December 31, 2016.

7. Deferred Costs

Deferred costs represent commission costs which are directly related to: (i) unearned subscription fees which are expensed ratably over the subscription periods; and (ii) advertising and marketing programs which are expensed when all services and obligations are fulfilled. Deferred costs expensed are included in cost of revenues.

8. Property and Equipment

Property and equipment comprised the following:

	As of	
	December 31, 2016	September 30, 2016
Land:		
Held for sales incentives	\$ 3,562,500	\$ 3,562,500
Less: Valuation allowance	(2,687,752)	(2,687,752)
	<u>874,748</u>	<u>874,748</u>
Computers and equipment	906,558	347,765
Computer software	-	-
Software development	1,193,385	1,193,386
Furniture and fixtures	170,244	176,295
	<u>2,270,187</u>	<u>1,717,446</u>
Accumulated depreciation	(980,808)	(549,878)
	<u>1,289,379</u>	<u>1,167,568</u>
Total	<u>\$ 2,164,127</u>	<u>\$ 2,042,316</u>

Land Held for Sales Incentives

We acquired a land parcel consisting of 15 lots in the Cayman Islands in March 2010. As of December 31, 2016, the land value of approximately \$0.9 million consisted of the contract price and land filled cost of approximately \$3.6 million less a valuation allowance of approximately \$2.7 million that was based on our evaluation of the estimated fair value.

The investment in the land parcel in the Cayman Islands is intended to provide incentive rewards to the best performing DubLi Network BAs upon attaining certain performance objectives.

Depreciation

Depreciation expense totaled \$113,583 and \$19,299 for the three months ended December 31, 2016 and 2015, respectively. The increase is primarily due to software costs associated with the launch of our new website that were capitalized during the quarter ended June 30, 2016 and are now being depreciated.

9. Amounts Due to Related Parties

Amounts due to related parties comprised the following:

	As of	
	December 31, 2016	September 30, 2016
Amounts due for advances by Mr. Hansen	\$ -	\$ 449,952
Amounts due for services rendered	-	89,486
Amounts due for service rendered	<u>\$ -</u>	<u>\$ 539,438</u>

Amounts due for services rendered are comprised of accrued compensation due to the officers of the Company. The amounts due for advances and services rendered are non-interest bearing and have no terms of repayment.

10. Long Term Debt

During 2016, Lani Pixels authorized up to \$12,000,000 of senior secured term bonds. As of December 31, 2016, there were a total of \$3,857,834 of debenture bonds outstanding; of this amount Ominto is the holder of a \$2,000,000 debenture. The Ominto debenture has been eliminated in the consolidated balance sheet as of December 31, 2016. The net proceeds will be used to finance the production of an animated feature film and pay any fees associated with this offering. The Debenture has a coupon of 5% per annum, payable semi-annually and a running fee that entitles the holder to 3% of the gross revenues from July 1, 2017 to and including December 31, 2025, paid semi-annually on April 12, 2019 for the preceding semi-annual period from July 1 through December 31. The Debenture matures on February 12, 2026 and has a call option under which the principal amount may be redeemed in whole from April 12, 2019 or on any consecutive coupon date thereafter. The principal maturities of long term debt, not including amounts attributable to Ominto, are as follows:

2017	\$	-
2018		-
2019		-
2020		-
2021		-
Thereafter	\$	1,857,834

Should Lani Pixels default on the debenture bonds, the holders of the debenture bonds (including Ominto) have a first priority lien and security interest in all assets, revenues, shares, accounts and rights, and any future movie productions, including but not limited to first priority pledges over all of Lani Pixels' direct and indirect equity interests, and all other tangible and intangible personal property.

11. Discontinued Operations

The Company discontinued all auctions activities effective March 28, 2013. As a result, the operating results for the auctions program have been reclassified to income from discontinued operations in the condensed consolidated statements of operations.

During the three months ended December 31, 2016 and 2015, income from discontinued operations, net of taxes recognized from credits breakage amounted to approximately \$26,055 and 3,848, respectively.

All costs associated with credits associated with the discontinued reverse auction program were fully recognized as of the effective date of the termination. All liabilities for unused credits associated with the discontinued reverse auction program were fully recognized in the three months ended December 31, 2016. Liabilities for unused credits of discontinued operations at December 31, 2016 and September 30, 2016 were \$0 and \$27,000, respectively.

12. Income Taxes

We conduct business globally and operate in a number of foreign jurisdictions in addition to the United States. For the three months ended December 31, 2016 and 2015, our reported income tax rate was lower than the US federal statutory rate primarily due to lower income tax rates in the foreign jurisdictions where we operate, and as a result of net income or losses for the periods, the utilization of net operating loss carry-forwards and the valuation allowance against deferred tax assets.

13. Stockholders' Equity

Common Stock

As described in *Note 5, Acquisitions* and *Note 6, Investment in Unconsolidated Company*, the Company issued 3.2 million shares of its common stock valued at \$4 per share or a total of approximately \$12.9 million to acquire 40.02% of Lani Pixels, A/S and 18.75% of Quant Systems, Inc.

The Company sold 515,390 shares of its common stock to various foreign investors totaling approximately \$2.1 million during the quarter ended December 31, 2016 as part of a private placement.

The Company issued 113,950 shares of its common stock to employees, consultants and directors in lieu of compensation for services performed during the second quarter of fiscal year 2016. In addition, the Company issued 60,000 vested shares of restricted common stock to three employees and consultants.

In addition, the Company sold 225,000 shares and recorded a subscription receivable in the amount of \$900,000 during the quarter ended December 31, 2016. The subscription receivable is due to be paid in February 2017 and has been temporarily reclassified as a reduction to Ominto's total stockholder's equity in accordance with GAAP.

As a result of the aforementioned transactions, Ominto's accumulated deficit of \$7.5 million at September 30, 2016 improved to stockholders' equity of \$6.6 million at December 31, 2016.

As of December 31, 2016, a total of approximately 1,266,619 shares were committed for issuance in an unregistered private placement to various foreign investors and reflected as issued on the books of the Company, but stock certificates were not issued due to certain administrative and documentation requirements. Certificates for these shares committed for issuance are expected to be issued during the quarter ended March 31, 2017.

14. Stock-Based Compensation

The following table summarizes information about stock option activity under the 2010 Omnibus Equity Compensation Plan during the three months ended December 31, 2016:

Balance outstanding, September 30, 2016	440,968
Granted	314,500
Exercised	-
Forfeited	(21,358)
Balance outstanding, December 31, 2016	<u>734,110</u>

During the three months ended December 31, 2016, the Company granted 314,500 stock options to various employees, consultants and Directors under the Plan which vest over 36 to 60 months.

The Company determines the fair value of stock option awards using the Black-Scholes option pricing model with estimates of option lives, stock price volatility and interest rates, then expensed over the periods of service. Changes in the estimated inputs or using other option valuation methods could result in materially different option values and share-based compensation expense.

Options Activity and Positions

	<u>Number of shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term (years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding as of December 31, 2016	734,110	\$ 4.74	7.92	\$ 251,600
Exercisable as of December 31, 2016	345,681	\$ 5.88	5.27	\$ 46,878

Unamortized stock option compensation expense at December 31, 2016 was approximately \$857,360 and is expected to be recognized over a period of 2.63 years.

Restricted Stock Units

The following table summarizes information about restricted stock award activity under the Plan for the three months ended December 31, 2016:

Balance outstanding, September 30, 2016	155,280
Granted	130,000
Vested	(27,326)
Forfeited	-
Balance outstanding, December 31, 2016	<u>257,954</u>

During the three months ended December 31, 2016, the Company granted 130,000 restricted shares of common stock to various employees under the Plan which vested over 36 to 60 months. The Company determines the value of its restricted stock awards on the grant date using the intrinsic value method which is based on the number of shares granted and the quoted price of our common stock on the grant date. As of December 31, 2016, there were 257,954 unvested restricted shares outstanding with a weighted-average grant date value of \$5.07. The restricted stock units vest over the next 2.2 years. The unamortized value of unvested restricted shares is \$1.2 million.

The Company's CEO Michael Hansen is entitled to 500,000 restricted shares of common stock upon the attainment of certain performance goals.

Stock-based compensation expense for the three months ended December 31, 2016 and 2015 was \$329,227 and \$419,317, respectively.

15. Segment Information

We have two reportable segments: (i) E-Commerce cashback and network marketing which includes business license fees, membership subscription fees, commission income, and, advertising and marketing programs; and (ii) Animated movie production revenue.

Information concerning our revenue, gross profit, income from operations, depreciation, capital expenditures, goodwill and total assets by segment are as follows:

	Three Months Ended December 31,	
	2016	2015
Revenue:		
E-commerce cashback and network marketing	\$ 5,861,362	\$ 5,432,229
Animated movie production	11,110	-
Total	\$ 5,872,472	\$ 5,432,229
Gross profit:		
E-commerce cashback and network marketing	\$ 1,902,621	\$ 1,540,967
Animated movie production	11,150	-
Total	\$ 1,913,771	\$ 1,540,967
Loss from operations:		
E-commerce cashback and network marketing	\$ (2,235,630)	\$ (2,258,426)
Animated movie production	(147,096)	-
Total	\$ (2,382,726)	\$ (2,258,426)
Depreciation:		
E-commerce cashback and network marketing	\$ 115,560	\$ 19,299
Animated movie production	(1,977)	-
Total	\$ 113,583	\$ 19,299
Capital expenditures:		
E-commerce cashback and network marketing	\$ 2,291	\$ 374,900
Animated movie production	(548)	-
Total	\$ 1,743	\$ 374,900
Goodwill:		
	December 31, 2016	September 30, 2016
E-commerce cashback and network marketing	\$ -	\$ -
Animated movie production	26,760,426	-
Total	\$ 26,760,426	\$ -
Total assets:		
E-commerce cashback and network marketing	\$ 33,673,957	\$ 21,684,811
Animated movie production	32,168,010	-
Total	\$ 65,841,967	\$ 21,684,811

The total revenues recorded in our four geographic regions are summarized as follows:

	Three Months Ended	
	December 31,	
	2016	2015
Revenues:		
European Union	\$ 830,469	\$ 776,619
North America	3,682,894	3,388,478
Australia	324,519	303,476
Global	1,034,590	963,656
Total	\$ 5,872,472	\$ 5,432,229
Revenue represented from:		
Continuing operations	\$ 5,872,472	\$ 5,432,229
Discontinued operations	26,055	3,848
Total	\$ 5,898,527	\$ 5,436,077

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Regarding Forward-Looking Statements

The discussion contained in this Quarterly Report on Form 10-Q ("Report") under the Securities Exchange Act of 1934 as amended ("Exchange Act"), contains forward-looking statements that involve risks and uncertainties. Our actual results could differ significantly from those discussed herein. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "believe," "projects," "could," "would," and similar expressions. You can also identify them by the fact that they do not relate strictly to historical or current facts. The forward-looking statements reflect our current view about future events and are subject to risks, uncertainties and assumptions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Our actual results may differ materially from those indicated by our forward-looking statements as a result of various factors, including the risks and uncertainties described in the section of this report titled "Risk Factors".

Factors that could prevent us from achieving our goals and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements include, among other things:

- *risks related to our ability to continue as a going concern being in doubt;*
- *our inability to generate enough customers or enough purchasing activity for our shopping websites;*
- *our inability to establish and maintain a large growing base of Business Associates;*
- *our failure to adapt to technological change;*
- *increased competition;*
- *increased operating costs;*
- *changes in legislation applicable to our business;*
- *our failure to improve our internal controls; and*
- *our inability to generate sufficient cash flows from operations or to secure capital to enable us to maintain our current operations or support our intended growth.*
- *our inability to successfully integrate Lani Pixels into our operations.*
- *our inability to secure additional financing to enable Lani Pixels to complete its current animated film production.*

All forward-looking statements speak only as of the date of this report. We undertake no obligation to update any forward-looking statements or other information contained herein. Stockholders and potential investors should not place undue reliance on these forward-looking statements. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements in this report are reasonable, we cannot assure stockholders and potential investors that these plans, intentions and expectations will be achieved. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

Information regarding market and industry statistics contained in this report is included based on information available to us that we believe is accurate. It is generally based on academic and other publications that are not produced for purpose of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. Except as required by U.S. federal securities laws, we have no obligation to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "believe," "projects," "could," "would," and similar expressions. You can also identify them by the fact that they do not relate strictly to historical or current facts. The forward-looking statements reflect our current view about future events and are subject to risks, uncertainties and assumptions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. Our actual results may differ materially from those indicated by our forward-looking statements as a result of various factors, including the risks and uncertainties described in the section of this report titled "Risk Factors".

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- *our inability to establish and maintain a large growing base of Business Associates;*
- *our failure to adapt to technological change;*
- *increased competition;*
- *increased operating costs;*
- *changes in legislation applicable to our business;*
- *our failure to improve our internal controls; and*
- *our inability to generate sufficient cash flows from operations or to secure capital to enable us to maintain our current operations or support our intended growth.*
- *our inability to successfully integrate Lani Pixels into our operations.*
- *our inability to secure additional financing to enable Lani Pixels to complete its current animated film production.*

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Information regarding market and industry statistics contained in this report is included based on information available to us that we believe is accurate. It is generally based on academic and other publications that are not produced for purpose of securities offerings or economic analysis. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. Except as required by U.S. federal securities laws, we have no obligation to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements

information concerning these factors and related matters, see Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this Report, and the following sections of our Annual Report on Form 10-K for the fiscal year ended September 30, 2016: Item 1A "Risk Factors" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations". However, other factors besides those referenced could adversely affect our results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us herein speak as of the date of this Report. We do not undertake to update any forward-looking statement, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

Introduction

The following discussion and analysis summarizes the significant factors affecting: (i) our condensed consolidated results of operations for the three months ended December 31, 2016 compared to the three months ended December 31, 2015; and (ii) financial liquidity and capital resources. This discussion and analysis should be read in conjunction with our condensed consolidated financial statements and notes included in this Report.

Overview

We are a global leader in online Cash Back shopping worldwide. The Company's shopping platform currently serves customers in more than 100 countries. Using our consumer-adaptive e-commerce sites, shoppers can browse third-party websites with different categories of products, featuring both international and local brands, travel, coupons, discounts and vouchers. The website is one global site that allows customers to select their country and language and serves customers with merchants that are available in their local country. Ominto's websites feature some of the world's most popular regional and international brands including Amazon.in®, Wal-Mart®, Nike®, Hotels.com®, Groupon™ and Expedia®. We receive a commission each time shoppers make a purchase on a third-party website through our shopping website. Ominto's e-commerce platform allows consumers to shop at the same online stores they normally frequent and they earn Cash Back with each purchase through us. Our new Ominto.com shopping platform, launched in the third quarter of fiscal 2016, operates as a global site tailored to country preference depending on where in the world the shopper is logging in, as recognized by the location of the geo-IP.

We offer free and paid memberships that allow shoppers to earn varying amounts of Cash Back from the purchases that they make online through our shopping sites. The paid VIP membership allows our members to earn a higher percentage of Cash Back on their purchases, as well as other benefits. We receive a commission each time shoppers make purchases through our shopping platform with our affiliated merchants. We pass a portion of those commissions to our shoppers in the form of Cash Back. Our worldwide online transactions are conducted through the DubLi.com shopping platform. We have a large international network of independent Business Associates ("BAs") that sell and use our various e-commerce Cash Back product.

We also own a controlling interest in Lani Pixels A/S, an animation production company focused on feature-length films and digital marketing content, located in Billund, Denmark with offices in Denmark and Dubai, U.A.E.

Business license fees are paid by our BAs and our Partner Program participants. The fees from BAs enable them to sell our products. Fees paid by our Partners allow them to receive either a white label solution or a co-branded referral program that their customers or donors can use to make Cash Back purchases through our online shopping platform. Our Partners earn commissions derived from membership subscription fees from the shoppers they refer as well as a portion of the commission income received from our affiliates. Generally, our for-profit Partner Program participants pay a monthly maintenance fee to remain as an active member.

We offer a free membership and a paid VIP membership to shoppers that enable them to earn Cash Back from all the purchases that they make through our online shopping website. The VIP membership allows our customers to earn a higher percentage of Cash Back on their purchases as well as other exclusive benefits. We charge an annual subscription fee for the VIP membership. Our BAs are required to purchase membership subscription products in the form of membership packages for DubLi.com's customers and qualifying vouchers or membership packages for other BAs.

Commission income is the amounts we receive from affiliates for purchases made on our shopping platform. We share this commission income with our customers in the form of Cash Back.

Our network marketing organization of BAs is represented in approximately 100 countries throughout the world. Our BAs market our Cash Back product to their customers, many of who become BAs themselves. BAs earn commissions both on paid membership subscriptions that they sell directly, as well as on "downline" sales of products made by BAs that they bring into the marketing network. BAs also earn commissions on purchases made on our shopping website by shoppers they have referred, or that have been referred by their downline BAs.

Trends in Our Business

We continue to focus our resources on potentially more profitable programs related to our e-commerce shopping platform. We believe that shopping transactions continue to shift from traditional to online retailers as the digital economy evolves. This shift has enabled us to provide a continued growth in revenue. However, our revenue growth rate to date may not be sustainable due to factors, including increasing competition, and increasing maturity of the online shopping platform market. We plan to continue to invest in our shopping platform and increase our customer base through Partner programs and our BAs, but cannot provide any assurance that such investments will result in increased revenues or net income.

In order to increase the sale of our Cash Back products, we have added dedicated private-label Cash Back shopping websites through Partners, which we believe will increase the number of shoppers purchasing products and services through our shopping platform. We also launched our new Cash Back shopping website during the third quarter of 2016.

Traditional retail seasonality has affected our results of operations, and is likely to continue to do so. Online shopping generally slows during the summer months, and shopping (whether traditional or e-commerce) typically increases significantly during the holiday season in the fourth quarter of each calendar year. These seasonal trends have caused, and will likely continue to cause, fluctuations in our quarterly results.

Increasing our revenues involves investment in our information technology infrastructure, and human resources. We expect our Partner Program and expansion into new markets and countries to be an important component in our business strategy. We expect that the gross cost of revenues will increase and may also increase as a percentage of revenues in future periods, primarily due to forecasted increases in costs, including customer acquisition costs, data center costs, credit card and other transaction fees, and content acquisition costs.

As we expand our shopping programs and other products into additional international markets, we continue to increase our exposure to fluctuations in foreign currency to US dollar exchange rates.

We plan to continue to develop Ominto's capabilities as a marketing services company and we view Lani Pixels as a strategic content partner in this effort. Lani Pixels has bandwidth to assist Ominto through the development of animated, short training videos for the DubLi Network. Lani Pixels can also produce marketing videos and other creative content for DubLi's Cash Back shopping platform.

Quant Systems, Inc. is an advisory and IT solutions firm providing cutting-edge technology applications that improve and empower businesses. Quant Systems' comprehensive services include technical consulting, software implementation and re-engineering, big data and analytics, cloud infrastructure, mobile strategy and robotics. This strategic collaboration aligns Ominto with a strong IT solutions partner known for its innovative software development and emerging technologies. Combining Ominto's business model with Quant's technology proficiency allows us to deliver a world-class Cash Back experience, on a global basis, for the benefit of our Partner Program relationships and our shopping customers.

Results of Operations

THREE (3) MONTHS ENDED DECEMBER 31, 2016 COMPARED TO THREE (3) MONTHS ENDED DECEMBER 31, 2015

Consolidated Results

Net loss attributable to Ominto increased approximately \$279,000 from approximately \$2.0 million during the three months ended December 31, 2015 to approximately \$2.3 million during the three months ended December 31, 2016. Although total revenues increased approximately \$440,000, selling, general and administrative expenses increased approximately \$495,000, cost of revenues increased approximately \$67,000 and other income (expense) net decreased approximately \$271,000.

Continuing Operations

Revenues totaled approximately \$5.9 million and \$5.4 million for the three months ended December 31, 2016 and 2015, respectively. The \$440,000 increase consisted of increases of approximately \$1.1 million in business license fees and approximately \$365,000 in advertising and marketing fees offset by decreases of approximately \$944,000 in membership subscription fees and commission income and approximately \$82,000 in other revenue.

During the three months ended December 31, 2016 and 2015, our revenues from continuing operations were generated primarily from (a) business license fees paid by BAs and Partner Program participants; (b) membership subscription fees; (c) commission income from participating online shops and stores affiliated with our online shopping website arising from the purchase transactions our shoppers generated; and (d) advertising and marketing programs. Our revenues from continuing operations for the period December 13, 2016 to December 31, 2016 also included an immaterial amount of film production and animation revenue. Our revenues from discontinued operations during the three months ended December 31, 2016 and, 2015 were recognized from credits breakage associated with inactive BAs.

Cost of revenue was relatively unchanged at \$4.0 million during the three months ended December 31, 2016 compared to \$3.9 million during the three months ended December 31, 2015.

Gross income was approximately \$1.9 million and \$1.5 million for the three months ended December 31, 2016 and 2015, respectively. The increase was due to higher revenues mentioned above partially offset by slightly higher costs of revenues recognized during the three months ended December 31, 2016.

Selling, general and administrative (“SGA”) expenses were approximately \$4.3 million and \$3.8 million for the three months ended December 31, 2016 and 2015, respectively. The increase primarily consisted of increases of \$735,000 in rent and office expense, \$573,000 in banking and processing fees, \$761,000 in outside service fees and \$185,000 in advertising and marketing costs, offset by a decrease of \$1,077,000 in payroll costs and a \$767,000 increase in foreign exchange gains. Details of our SGA expenses are summarized as follows:

<i>(All amounts in \$ thousands)</i>	For the three months ended December 31,		
	2016	2015	Change
Advertising and marketing costs	\$ 205	\$ 20	\$ 185
Depreciation and amortization	114	19	95
Outside service fees	1,736	975	761
Payroll costs	1,210	2,287	(1,077)
Rent and office expenses	878	143	735
Banking and processing fees	775	202	573
Foreign exchange	(802)	(35)	(767)
Travel expenses and others	180	188	(8)
Total	\$ 4,296	\$ 3,799	\$ 497

Other expense, net amounted to approximately \$43,000 during the three months ended December 31, 2016 compared to Other income, net of approximately \$251,000 during the three months ended December 31, 2015. Interest expense amounted to \$43,371 at Lani Pixels, a partially owned subsidiary due to a debenture note payable during the three months ended December 31, 2016. Interest expense totaled \$298,843 during the three months ended December 31, 2015 related to the Company’s \$5 million convertible debt that was later converted to common stock in November 2015. Also during the three months ended December 31, 2015, the Company recorded a \$549,656 increase in the fair value of a derivative liability for warrants issued in connection with the \$5 million convertible debt prior to its conversion to common stock in November 2015.

Noncontrolling interest of \$115,225 represents 59.98% of the net loss of Lani Pixels for the three months ended December 31, 2016.

Net loss attributable to Ominto amounted to approximately \$2.3 million and \$2.0 million in the three months ended December 31, 2016 and 2015, respectively, consisting of the changes described above.

Segment reporting

We have two reportable segments: (i) E-Commerce cashback and network marketing which includes business license fees, membership subscription fees, commission income, and, advertising and marketing programs; and (ii) Animated movie production revenue. For additional information and analysis of our segments, refer to *Note 15, Segment Reporting* in the Notes to Financial Statements.

Foreign Currency Translation Adjustment

Our net revenues and related expenses generated from international locations are denominated in the functional currencies of the local countries, primarily in Euros. The results of operations and certain of our intercompany balances associated with our international locations are exposed to foreign exchange rate fluctuations. The consolidated statements of operations of our international subsidiaries are translated into U.S. dollars at the average exchange rates in each applicable period. To the extent the U.S. dollar weakens against foreign currencies, this translation methodology results in these foreign currency transactions increasing the revenues, operating expenses and net income or decreasing loss. Similarly, our consolidated revenues, operating expenses and net income or loss will decrease when the U.S. dollar strengthens against foreign currencies.

During the three months ended December 31, 2016, we recognized a gain on translation of approximately \$676,000 as compared to \$199,000 for the three months ended December 31, 2015.

Liquidity and Capital Resources

Liquidity

During the three months ended December 31, 2016, we incurred a loss from continuing operations including noncontrolling interest of \$2.4 million. We have an accumulated deficit for the period from our inception through December 31, 2016 of approximately \$61.9 million.

Our stockholders' deficit of approximately \$7.5 million at September 30, 2016 improved to stockholder's equity of approximately \$6.6 million at December 31, 2016 as a result of our private placement sale of common stock totaling approximately \$2.1 million and our financing of the acquisition of 40.02% interest in Lani Pixels and our investment in 18.75% of the common stock of Quant Systems, Inc. through issuances of our common stock totaling approximately \$12.9 million.

We had a working capital (defined as current assets less current liabilities) deficit of approximately \$12.5 million as of December 31, 2016. However, current liabilities include \$21.3 million of deferred subscription fee revenue and \$4.6 million of deferred advertising revenue which are amortized over a twelve-month period and represent about \$2.2 million of revenue per month. Current assets include deferred costs of \$13.4 million which are being amortized over a twelve-month period and represent about \$1.1 million of expense per month. Excluding deferred costs from current assets and deferred subscription fee revenue and deferred advertising revenue from current liabilities, we had a working capital deficit of approximately \$42,000 at December 31, 2016.

Total cash and cash equivalents of approximately \$11.9 million at December 31, 2016 increased \$2.3 million from total cash and cash equivalents of approximately \$9.6 million at September 30, 2016. In addition, we had restricted cash balances of approximately \$2.7 million at December 31, 2016 and approximately \$2.0 million at September 30, 2016.

Our primary sources of liquidity are cash flows from operations and funds raised through debt and/or equity. Our primary liquidity needs are for working capital, capital expenditures and acquisition requirements.

We generated net cash flows from operating activities of approximately \$3.4 million during the three months ended December 31, 2016 consisting primarily of the positive effect of net changes in assets and liabilities. We used cash flows from operations totaling \$2.4 million during the three months ended December 31, 2015 consisting primarily of the negative effect of net changes in asset and liabilities.

We used net cash flows from investing activities of approximately \$2.5 million during the three months ended December 31, 2016 due to the purchase of a \$2.0 million debenture in connection with the acquisition of Lani Pixels and \$500,000 of partial consideration for the purchase of 20% of Lani Pixels from Kim Pagel. We used cash flows from investing activities of approximately \$375,000 for capital expenditures during the three months ended December 31, 2015.

We generated net cash flows from financing activities totaling approximately \$2.1 million during the three months ended December 31, 2016, which consisted of the sale of approximately 515,390 shares of our common stock to various investors for cash consideration of \$2.1 million. We generated cash flows from financing activities totaling \$1.7 million during the three months ended December 31, 2015 consisting of \$1.4 million from proceeds from convertible loan and \$250,000 from proceeds from the exercise of a warrant for shares of common stock.

Long Term Debt

As described in the Note 10, Long Term Debt in the Notes to Financial Statements, Lani Pixels owes \$1,857,834 of a senior secured term Debenture bond (“Debenture”); the net proceeds of which are being used to finance the production of an animated feature film and to pay any fees associated with this offering. The Debenture has a coupon of 5% per annum, payable semi-annually and a running fee that entitles the holder to 3% of the gross revenues from July 1, 2017 to and including December 31, 2025, paid semi-annually on April 12, 2019 for the preceding semi-annual period from July 1 through December 31. The Debenture matures on February 12, 2026 and has a call option under which the principal amount may be redeemed in whole from April 12, 2019 or on any consecutive coupon date thereafter. The principal maturities of the debt, not including amounts attributable to Ominto, is as follows:

2017	\$	-
2018		-
2019		-
2020		-
2021		-
Thereafter	\$	1,857,834

We continue to update our product offerings which places additional demands on future cash flows. Our future cash flow and capital requirements will depend on numerous factors including market acceptance of our future products, revenues generated from operations, the impact of competitive product offerings, and whether we are successful in acquiring additional customers on a large scale through partners. We intend to increase our marketing efforts in order to grow our network of BAs which we expect will improve sales of our e-commerce products. The marketing efforts will place additional demands on our cash flows. We cannot offer any assurance that we will be successful in generating revenues from operations; adequately dealing with competitive pressures; acquiring complementary products, technologies or business; or increasing our marketing efforts. Our plans for the long-term include generating cash flows from the profitable operation of our business and financing our operations through sales of our common stock and/or debt.

Beginning in January 2016, we implemented a series of changes to streamline our organization and reduce monthly operating expenses. Our efforts focused on reducing staffing costs, transferring certain functions to lower cost locations, consolidating our operations to fewer locations, and reducing our efforts on activities not related to our core operations. These changes were designed to conserve our resources and allow for continued investment in the completion and launch of our new Ominto.com and its related DubLi.com technology platform.

Cash in Foreign Subsidiaries

We have significant operations outside the United States. As a result, cash generated by and used in our foreign operations is used only in amounts sufficient to pay general and administrative expenses in the U.S., or to fund certain US operational costs. As of December 31, 2016, we held approximately \$11.0 million of unrestricted and approximately \$1.4 million of restricted cash in foreign subsidiaries. Certain of the Company’s foreign subsidiaries have cash balances that are denominated in U.S. dollars.

Should foreign cash be repatriated, we will be subject to U.S. tax at the applicable U.S. federal statutory rate on the amount treated as a dividend for U.S. income tax purposes. Dividend treatment will largely be the result of the collective financial position of the foreign subsidiaries at the time of repatriation. Any U.S. income tax attributable to repatriated earnings may be offset by foreign income taxes paid on such earnings. Due to the significance of our foreign operations, we do not presently foresee a need to repatriate foreign cash in excess of our U.S. funding needs.

Recent Accounting Pronouncements

In November 2016, the FASB issued Accounting Standard Update (“ASU”) 2016-18 , *Statement of Cash Flows – Restricted Cash (Topic 230): Restricted Cash* (“ASU 2016-18”), which reduces the diversity in the treatment of Restricted cash in the Statement of Cash Flows. This ASU requires that restricted cash and restricted cash equivalents be included with unrestricted cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash and cash equivalents. Public business entities are required to adopt this ASU for fiscal years beginning after December 15, 2017, with other entities adopting it for fiscal years beginning after December 15, 2018. Early adoption is permitted. Currently the Company separates restricted cash and cash equivalents from its unrestricted cash and cash equivalents when reconciling the beginning and end of period total cash and cash equivalents and only reports the net change in restricted cash and cash equivalents in the statement of cash flows. In future, the Company’s sources and uses of restricted cash and cash equivalents will be combined with its sources and uses of unrestricted cash and cash equivalents in the statement of cash flows. The Company does not expect the adoption of this ASU to have a material effect on its statement of cash flows.

In December 2016, the FASB issued ASU 2016-19 , *Technical Corrections and Improvements* (“ASU 2016-19”), which clarifies, corrects and amends various FASB Codification Subtopics. ASU 2016-19 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016 and shall be applied prospectively. The Company does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In December 2016, the FASB issued ASU 2016-20 , *Technical Corrections & Improvements to Topic 606: Revenue from Contracts with Customers* (“ASU 2016-20”), which makes minor corrections or improvements to the Codification related to ASU 2014-09 Revenue from Contracts with Customers (the new Revenue Recognition Standard). The effective date for ASU 2016-20 is the same as the effective date for ASU 2014-09 Revenue from Contracts with Customers which date was amended/deferred by ASU 2015-14 Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. Public business entities are required to adopt this ASU for fiscal years beginning after December 15, 2017, with other entities adopting it for fiscal years beginning after December 15, 2018, with interim reporting periods beginning after December 15, 2019. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company has begun the process of evaluating the potential impact of adoption of this ASU and does not expect the adoption of this ASU or the adoption of the related new Revenue Recognition standard to have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-03 , *Accounting Changes & Error Corrections and Investments – Equity Method and Joint Ventures: Amendments to SEC Paragraphs pursuant to Staff Announcements* (“ASU 2017-03”), which amends various FASB Codification Topics. Public business entities are required to adopt this ASU for fiscal years beginning after December 15, 2019, with other entities adopting it for fiscal years beginning after December 15, 2020. Early adoption is permitted as of annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period. The Company does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04 , *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (“ASU 2017-04”), which simplifies the method of testing for goodwill impairment by eliminating Step 2 (comparing the implied fair value of goodwill with the carrying amount of goodwill) for entities that have not adopted the private company alternative for goodwill impairment testing. Entities that have not adopted the private company alternative for goodwill impairment testing may use a one-step quantitative test to determine the amount, if any, of good will impairment (comparing the fair value of goodwill to the carrying amount). Under ASU 2017-03, Public business entities that are SEC filers are required to adopt this ASU for fiscal years beginning after December 15, 2019, with public business entities that are not SEC filers adopting it for fiscal years beginning after December 15, 2020 and all other filers adopting in fiscal years beginning after December 15, 2021. Early adoption is permitted as for interim and annual goodwill impairment of annual reporting periods beginning after January 1, 2017. The Company does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

Off-Balance Sheet Arrangements

Our significant off balance sheet transactions include liabilities associated with non-cancellable operating leases, employment contracts, and liabilities associated with certain indemnification and guarantee arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15 (e) under the Exchange Act) as of the end of the period covered by this Report. Based on the foregoing, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and (ii) accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. However, as previously reported in our annual report Form 10-K for the year ended September 30, 2016, as a result of our principal executive officer's and principal financial officer's assessment of the effectiveness of our internal control over financial reporting as of September 30, 2016, we identified material weaknesses in internal control over financial reporting as of September 30, 2016. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. These material weaknesses had not been remediated as of December 31, 2016.

Remediation Plans

To address the identified material weakness discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2016, we have taken the following measures. Management believes that there have been significant improvements in the level of internal control but is aware that there are still unaddressed risks to date. Consistent with the Sarbanes Oxley framework, we are engaged in the process of completing and documenting each of the Company's key information technology and business processes necessary to improve our internal controls. We have undertaken this assessment and have made an initial determination of our significant processes. We are currently engaged in the next step in this process which is to document these significant processes and design key controls for each process.

1. Continued to improve work flow and enhance internal controls. Management has recognized the need for documented policies and procedures and established such documents outlining processes, procedures, levels of authorization and approval, and other transactional related requirements in order to be disseminated for accountability and oversight. Management is also aware that the entity will need to review its policies and procedures periodically to determine whether they continue to be appropriate for the entity's activities and refresh them when needed.
2. We continue to take remedial measures to correct our internal control deficiencies and decided to devote significant resources to improving our internal controls. We have added four (4) full time positions in our accounting department which we believe will continue to improve internal controls. With the additional staff, we will be able to focus on providing additional training, as well as provide adequate time for our staff to complete the control procedures which have been or will be assigned to them.
 - (1) We hired a new Interim CFO and additional qualified and experienced finance department personnel to enhance period end financial close and reporting
 - (2) Senior Manager of SEC and Financial Reporting
 - (3) Director of Compliance to evaluate and implement corrective action on our material weaknesses;
 - (4) Currently in the process of recruiting a Vice President of Information Technology to oversee and implement proper internal control over IT and our business operating systems.
 - (5) Will also continue the reorganization of our finance, accounting and other support staff to improve work flow and enhance internal controls;

In addition, we have improved or are in the process of improving our internal controls as follows:

Control Environment

- (a) Implemented a whistle-blower program and are in the process of implementing other programs to identify and manage fraud risks;
- (b) Formalized job descriptions have been developed for all finance and accounting personnel that specifically: (i) identify required financial reporting roles, responsibilities, and necessary competencies; and (ii) clarify responsibilities for maintaining our internal controls over financial information; and
- (c) Increased the utilization of the features and controls provided in our Enterprise Resource Planning (“ERP”) system and reduced the use of spreadsheets.

Monitoring of internal control over financial reporting, and period end financial closing

- (a) We continue to review and update our policies and procedures with respect to the review, supervision and monitoring of our accounting operations;
- (b) We are completing a risk assessment process in order to improve our monitoring function in conjunction with our ERP system; and
- (c) We are developing forecasts and plans by which our Management can measure achievement against formalized benchmarks.

If the remedial measures described above are insufficient to address any of the identified material weaknesses or are not implemented effectively, or additional deficiencies arise in the future, material misstatements in our interim or annual consolidated financial statements may occur in the future and we may be delinquent in our filings. We are currently working to improve and simplify our internal processes and implement enhanced controls, as discussed above, to address the material weaknesses in our internal control over financial reporting and to remedy the ineffectiveness of our disclosure controls and procedures. Key factors in the success of our remediation efforts are our ability to recruit and retain qualified individuals, and to make the investments required to enhance our financial reporting systems. Therefore, the success of our remediation efforts will also be dependent in part upon our ability to obtain sufficient funding. Among other things, any unremediated material weaknesses could result in material post-closing adjustments in future financial statements.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There were no material legal proceedings during the three months ended December 31, 2016.

ITEM 1A. RISK FACTORS

There has been no material change to the risk factors relating to our business as disclosed in our annual report on Form 10-K for the fiscal year ended September 30, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company sold 515,390 shares of its common stock (as part of an unregistered \$5.1 million private placement) to foreign investors totaling \$2.1 million during the quarter ended December 31, 2016; the proceeds of which are being used for general operating needs and acquisitions.

In addition, the company sold 225,000 shares of its common stock and recorded a mortgage receivable in the amount of \$900,000 during the quarter ended December 31, 2016 that is due within 60 days; the proceeds of which are being used for general operating needs and acquisitions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

<u>No.</u>	<u>Description</u>
3.16	Certificate of Amendment to the Articles of Incorporation
10.1	Indemnification Agreement
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, there unto duly authorized.

Date: February 14, 2017

Ominto, Inc.

By: /s/ Michael Hansen

Michael Hansen
Chief Executive Officer
(Principal Executive Officer)



090204



BARBARA K. CEGAVSKE
Secretary of State
202 North Carson Street
Carson City, Nevada 89701-4201
(775) 684-5708
Website: www.nvsos.gov

Certificate of Amendment
(PURSUANT TO NRS 78.385 AND 78.390)

Filed in the office of <i>Barbara K. Cegavske</i>	Document Number 20160468688-59
Barbara K. Cegavske Secretary of State State of Nevada	Filing Date and Time 10/25/2016 12:00 PM
	Entity Number C13758-1999

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Certificate of Amendment to Articles of Incorporation
For Nevada Profit Corporations
(Pursuant to NRS 78.385 and 78.390 - After Issuance of Stock)

1. Name of corporation:

Ominto, Inc.

2. The articles have been amended as follows: (provide article numbers, if available)

Section 3 of the Articles of Incorporation should be amended as follows:
 Number of Common Shares: 200,000,000
 Par Value: \$0.001
 Number of Preferred Shares: 25,000,000
 Par Value: \$0.01

The Board of Directors shall have the authority to establish one or more series of Preferred Shares by duly adopted resolution which shall provide for a distinguishing designation for the series of Preferred Shares and the voting powers, designations, preferences, limitations, restrictions and relative rights of each series of stock. For each such series, the Board of Directors shall cause a certificate of designation to be filed with the Secretary of State of Nevada pursuant to subsection 1 of NRS 78.1955 before the issuance of shares of that series.

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation* have voted in favor of the amendment is:

4. Effective date and time of filing: (optional) Date: Time:
(must not be later than 90 days after the certificate is filed)

5. Signature: (required)

X

Signature of Officer

*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless to limitations or restrictions on the voting power thereof.

IMPORTANT: Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.

This form must be accompanied by appropriate fees.

Nevada Secretary of State Amend Profit-After
Revised: 1-5-15

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (the “Agreement”) is made and entered into as of _____, 2017, between OMINTO, INC., a Nevada corporation (the “Company”), and _____ (“Indemnitee”). Capitalized terms not defined elsewhere in this Agreement are used as defined in Section 14.

WHEREAS, highly competent persons have become more reluctant to serve corporations as directors or officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the “Board”) has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its affiliates from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The Articles of Incorporation of the Company, as amended (the “Charter”) and the By-Laws of the Company (the “By-Laws”) require indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the Nevada Revised Statutes (the “NRS”). The Charter, the By-Laws and the NRS expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the Board, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company’s stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified; and

WHEREAS, this Agreement is a supplement to and in furtherance of the Charter and the By-Laws and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

NOW, THEREFORE, in consideration of Indemnitee's agreement to serve as a director or officer of the Company from and after the date hereof, the parties hereto agree as follows:

1. Indemnity of Indemnitee. The Company hereby agrees to hold harmless and indemnify Indemnitee to the fullest extent permitted by law, as such may be amended from time to time. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

(a) Proceedings Other Than Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(a) if, by reason of his Corporate Status, Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding other than a Proceeding by or in the right of the Company. Pursuant to this Section 1(a), Indemnitee shall be indemnified against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him, or on his behalf, in connection with such Proceeding or any claim, issue or matter therein; provided, however no indemnification against such Expenses shall be made if the liability was incurred because Indemnitee breached or failed to perform a duty he owes to the Company and the breach or failure to perform constitutes any of the following: (i) a willful failure to deal fairly with the Company or its stockholders in connection with a matter in which Indemnitee has a material conflict of interest; (ii) a violation of criminal law, unless Indemnitee had reasonable cause to believe his conduct was lawful or no reasonable cause to believe his conduct was unlawful; (iii) a transaction from which Indemnitee derived an improper personal profit; or (iv) willful misconduct.

(b) Proceedings by or in the Right of the Company. Indemnitee shall be entitled to the rights of indemnification provided in this Section 1(b) if, by reason of his Corporate Status, Indemnitee is, or is threatened to be made, a party to or participant in any Proceeding brought by or in the right of the Company. Pursuant to this Section 1(b), Indemnitee shall be indemnified against all Expenses actually and reasonably incurred by Indemnitee, or on Indemnitee's behalf, in connection with such Proceeding; provided, however no indemnification against such Expenses shall be made if the liability was incurred because Indemnitee breached or failed to perform a duty he owes to the Company and the breach or failure to perform constitutes any of the following: (i) a willful failure to deal fairly with the Company or its stockholders in connection with a matter in which Indemnitee has a material conflict of interest; (ii) a violation of criminal law, unless Indemnitee had reasonable cause to believe his conduct was lawful or no reasonable cause to believe his conduct was unlawful; (iii) a transaction from which Indemnitee derived an improper personal profit; or (iv) willful misconduct. The termination of a proceeding by judgment, order, settlement or conviction, or upon a plea of no contest or an equivalent plea, does not, by itself, create a presumption that indemnification of Indemnitee is not required under this subsection.

(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he shall be indemnified to the maximum extent permitted by law, as such may be amended from time to time, against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For purposes of this Section 1(c) and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

2. Additional Indemnity. In addition to, and without regard to any limitations on, the indemnification provided for in Section 1 of this Agreement, the Company shall and hereby does indemnify and hold harmless Indemnitee against all Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf if, by reason of his Corporate Status, he is, or is threatened to be made, a party to or participant in any Proceeding (including a Proceeding by or in the right of the Company), including, without limitation, all liability arising out of the negligence or active or passive wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall be that the Company shall not be obligated to make any payment to Indemnitee that is finally determined (under the procedures, and subject to the presumptions, set forth in Sections 6 and 7 hereof) to be unlawful.

3. Contribution.

(a) Whether or not the indemnification provided in Sections 1 and 2 hereof is available, in respect of any threatened, pending or completed Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall pay, in the first instance, the entire amount of any judgment or settlement of such action, suit or proceeding without requiring Indemnitee to contribute to such payment and the Company hereby waives and relinquishes any right of contribution it may have against Indemnitee. The Company shall not, without Indemnitee's prior written consent, enter into any such settlement of any Proceeding (in whole or in part) unless such settlement (i) provides for a full and final release of all claims asserted against Indemnitee and (ii) does not impose any Expense, judgment, fine, penalty or limitation on Indemnitee.

(b) Without diminishing or impairing the obligations of the Company set forth in the preceding subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any judgment or settlement in any threatened, pending or completed Proceeding in which the Company is jointly liable with Indemnitee (or would be if joined in such Proceeding), the Company shall contribute to the amount of Expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred and paid or payable by Indemnitee in proportion to the relative benefits received by the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, from the transaction from which such Proceeding arose; provided, however, that the proportion determined on the basis of relative benefit may, to the extent necessary to conform to law, be further adjusted by reference to the relative fault of the Company and all officers, directors or employees of the Company other than Indemnitee who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, in connection with the events that resulted in such expenses, judgments, fines or settlement amounts, as well as any other equitable considerations which the law may require to be considered. The relative fault of the Company and all officers, directors or employees of the Company, other than Indemnitee, who are jointly liable with Indemnitee (or would be if joined in such Proceeding), on the one hand, and Indemnitee, on the other hand, shall be determined by reference to, among other things, the degree to which their actions were motivated by intent to gain personal profit or advantage, the degree to which their liability is primary or secondary and the degree to which their conduct is active or passive.

(c) The Company hereby agrees to fully indemnify and hold Indemnitee harmless from any claims of contribution which may be brought by officers, directors or employees of the Company, other than Indemnitee, who may be jointly liable with Indemnitee.

(d) To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

4. Indemnification for Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a witness, or is made (or asked to) respond to discovery requests, in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. Advancement of Expenses. Notwithstanding any other provision of this Agreement, the Company shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding by reason of Indemnitee's Corporate Status within thirty (30) days after the receipt by the Company of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses. Any advances and undertakings to repay pursuant to this Section 5 shall be unsecured and interest free.

6. Procedures and Presumptions for Determination of Entitlement to Indemnification. It is the intent of this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may be permitted under the NRS and public policy of the State of Nevada. Accordingly, the parties agree that the following procedures and presumptions shall apply in the event of any question as to whether Indemnitee is entitled to indemnification under this Agreement:

(a) To obtain indemnification under this Agreement, Indemnitee shall make a written request to the Company for indemnification, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification, which request shall designate one of the following means for determining his right to indemnification: (i) by a majority vote of a quorum of the Board or a committee of directors, consisting of directors not at the time parties to the same or related Proceedings; (ii) by Independent Counsel selected by a quorum of the Board or its committee in the manner prescribed in subsection (i) or, if unable to obtain such a quorum or committee, by a majority vote of the full Board, including directors who are parties to the same or related Proceedings; (iii) by a panel of three arbitrators consisting of one arbitrator selected by those directors entitled under (ii) to select Independent Counsel, one arbitrator selected by Indemnitee and one arbitrator selected by the two arbitrators previously selected or (iv) by the stockholders of the Company; provided, however, that if a Change in Control has occurred, the determination with respect to Indemnitee's entitlement to indemnification shall be made by Independent Counsel. Indemnitee may apply to a court of competent jurisdiction for review of an adverse determination under this section. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification. Notwithstanding the foregoing, any failure of Indemnitee to provide such a request to the Company, or to provide such a request in a timely fashion, shall not relieve the Company of any liability that it may have to Indemnitee unless, and to the extent that, such failure actually and materially prejudices the interests of the Company.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel, the Independent Counsel shall be selected as provided in this Section 6(b). If a Change in Control has not occurred the Independent Counsel shall be selected by the Board (including a vote of a majority of Disinterested Directors if obtainable), and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. Indemnitee may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 14 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If a written objection is made and substantiated, the Independent Counsel selected may not serve as Independent Counsel unless and until such objection is withdrawn or a court has determined that such objection is without merit. If a Change in Control has occurred, the Independent Counsel shall be selected by the Indemnitee (unless the Indemnitee shall request that such selection be made by the Board of Directors, in which event the preceding sentence shall apply), and approved by the Board of Directors (which approval shall not be unreasonably withheld). If (i) an Independent Counsel is to make the determination of entitlement pursuant to this Section 6, and (ii) within twenty (20) days after submission by Indemnitee of a written request for indemnification pursuant to Section 6(a) hereof, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the court conducting the Proceeding or another court of competent jurisdiction in the State of Nevada for resolution of any objection which shall have been made by Indemnitee to the Company's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 6(a) hereof. The Company shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with acting pursuant to Section 6(a) hereof, and the Company shall pay all reasonable fees and expenses incident to the procedures of this Section 6(b), regardless of the manner in which such Independent Counsel was selected or appointed.

(c) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence. Neither the failure of the Company (including by its directors or independent legal counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or independent legal counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(d) Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Enterprise. In addition, the knowledge and/or actions, or failure to act, of any director, officer, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement. Whether or not the foregoing provisions of this Section 6(d) are satisfied, it shall in any event be presumed that Indemnitee has at all times acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(e) If the person, persons or entity empowered or selected under this Section 6 to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making such determination with respect to entitlement to indemnification in good faith requires such additional time to obtain or evaluate documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 6(e) shall not apply if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 6(a) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination, the Board or the Disinterested Directors, if appropriate, resolve to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat.

(f) Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any Independent Counsel, member of the Board or stockholder of the Company shall act reasonably and in good faith in making a determination regarding Indemnitee's entitlement to indemnification under this Agreement. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

(g) The Company acknowledges that a settlement or other disposition short of final judgment may be successful if it permits a party to avoid expense, delay, distraction, disruption and uncertainty. In the event that any action, claim or proceeding to which Indemnitee is a party is resolved in any manner other than by adverse judgment against Indemnitee (including, without limitation, settlement of such action, claim or proceeding with or without payment of money or other consideration) it shall be presumed that Indemnitee has been successful on the merits or otherwise in such action, suit or proceeding. Anyone seeking to overcome this presumption shall have the burden of proof and the burden of persuasion by clear and convincing evidence.

(h) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

7. Remedies of Indemnitee.

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification is made pursuant to Section 6(b) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within thirty (30) days after receipt by the Company of a written request therefor or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Nevada, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification, contribution or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Except as set forth herein, the provisions of Nevada law (without regard to its conflict of law rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 6(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as a de novo trial, or arbitration, on the merits, and Indemnitee shall not be prejudiced by reason of the adverse determination under Section 6(a). In any judicial proceeding or arbitration commenced pursuant to this Section 7, Indemnitee shall be presumed to be entitled to indemnification under this Agreement and the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 6(a) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 7, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 5 until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 6(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's misstatement not materially misleading in connection with the application for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of Expenses in Section 14 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement. The Company shall indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within thirty (30) days after receipt by the Company of a written request therefore) advance, to the extent not prohibited by law, such expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of Expenses or insurance recovery, as the case may be.

(f) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

8. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and to receive advancement of expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Charter, the By-Laws, any agreement, a vote of stockholders, a resolution of directors or otherwise, of the Company. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in the NRS, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Charter, By-Laws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(c) The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(d) The Company's obligation to indemnify or advance Expenses hereunder to Indemnitee who is or was serving at the request of the Company as a director, officer, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other Enterprise shall be reduced by any amount Indemnitee has actually received as indemnification or advancement of expenses from such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise.

9. Exception to Right of Indemnification. Notwithstanding any provision in this Agreement, the Company shall not be obligated under this Agreement to make any indemnity in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision;

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act, or similar provisions of state statutory law or common law or (ii) reimbursement to the Company of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company in each case as required under the Exchange Act; or

(c) in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Company has joined in or the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation, (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law, or (iii) the Proceeding is one to enforce Indemnitee's rights under this Agreement.

10. Non-Disclosure of Payments. Except as expressly required by the securities laws of the United States of America, neither party shall disclose any payments under this Agreement unless prior approval of the other party is obtained. If any payment information must be disclosed, the Company shall afford Indemnitee an opportunity to review all such disclosures and, if requested, to explain in such statement any mitigating circumstances regarding the events to be reported.

11. Duration of Agreement. The indemnification of Indemnitee by the Company shall be effective from the date the Indemnitee became an officer or director of the Company or other Enterprise. All agreements and obligations of the Company contained herein shall continue upon the later of (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a director or officer of the Company or a director, officer, trustee, partner, managing member, fiduciary, employee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other Enterprise which Indemnitee served at the request of the Company; or (b) one (1) year after the final termination of any Proceeding (including any rights of appeal thereto) in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any Proceeding commenced by Indemnitee pursuant to Section 7 of this Agreement relating thereto (including any rights of appeal of any Section 7 Proceeding). This Agreement shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), assigns, spouses, heirs, executors and personal and legal representatives.

12. Security. To the extent requested by Indemnitee and approved by the Board, the Company may at any time and from time to time provide security to Indemnitee for the Company's obligations hereunder through an irrevocable bank line of credit, funded trust or other collateral. Any such security, once provided to Indemnitee, may not be revoked or released without the prior written consent of Indemnitee.

13. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumes the obligations imposed on it hereby in order to induce Indemnitee to serve as an officer, director or key employee of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as an officer, director or key employee of the Company.

(b) Without limiting any of the rights of Indemnitee under the Charter of By-Laws of the Company as they may be amended from time to time, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof.

14. Definitions. For purposes of this Agreement:

(a) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(b) "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

(i) Acquisition of Stock by Third Party . Any Person (as defined below), other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company is or becomes the Beneficial Owner (as defined above), directly or indirectly, of securities of the Company representing fifty (50%) or more of the combined voting power of the Company's then outstanding securities;

(ii) Change in Board of Directors . During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement and except for any recomposition of the Board in connection with an initial public offering of the securities of the Company), individuals who at the beginning of such period constitute the Board and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Section 14(b)(i), 14(b)(iii) or 14(b)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a least a majority of the members of the Board;

(iii) *Corporate Transactions.* The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity; and

(iv) *Liquidation.* The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement or series of agreements for the sale or disposition by the Company of all or substantially all of the Company's assets, or, if such approval is not required, the decision by the Board to proceed with such a liquidation, sale, or disposition in one transaction or a series of related transactions.

(c) “Corporate Status” describes the status of a person who at any time is or was a director, officer, employee, agent or fiduciary of the Company, any direct or indirect subsidiary of the Company, or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving at the request of the Company.

(d) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) “Enterprise” shall mean the Company and any other corporation, subsidiary, partnership, joint venture, trust, employee benefit plan or other enterprise that Indemnitee is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary.

(f) “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(g) “Expenses” shall include all reasonable attorneys’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond, or other appeal bond or its equivalent. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(h) “Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five (5) years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement. The Company agrees to pay the reasonable fees of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(i) “Person” shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(j) “Proceeding” includes any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought by or in the right of the Company or otherwise and whether civil, criminal, administrative or investigative, in which Indemnitee was, is or will be involved as a party or otherwise, by reason of the fact that Indemnitee is or was an officer or director of the Company, by reason of any action taken by him or of any inaction on his part while acting as an officer or director of the Company, or by reason of the fact that he is or was serving at the request of the Company as a director, officer, employee, agent or fiduciary of another corporation, partnership, joint venture, trust or other Enterprise; in each case whether or not he is acting or serving in any such capacity at the time any liability or expense is incurred for which indemnification can be provided under this Agreement; including one pending on or before the date of this Agreement, but excluding one initiated by an Indemnitee pursuant to Section 7 of this Agreement to enforce his rights under this Agreement.

15. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the fullest extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby. Without limiting the generality of the foregoing, this Agreement is intended to confer upon Indemnitee indemnification rights to the fullest extent permitted by applicable laws.

16. Enforcement and Binding Effect.

(a) The indemnification and advancement of expenses provided by, or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise at the Company's request, and shall inure to the benefit of Indemnitee and his or her spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(b) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company to expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(c) The Company and Indemnitee agree herein that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which he may be entitled. The Company and Indemnitee further agree that Indemnitee shall be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertaking in connection therewith. The Company acknowledges that in the absence of a waiver, a bond or undertaking may be required of Indemnitee by the Court, and the Company hereby waives any such requirement of such a bond or undertaking.

17. Modification and Waiver. No supplement, modification, termination or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

18. Notice By Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with or otherwise receiving any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification covered hereunder. The failure to so notify the Company shall not relieve the Company of any obligation which it may have to Indemnitee under this Agreement or otherwise.

19. Notices. All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified, (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day, (c) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid, or (d) one (1) day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent:

(a) To Indemnitee at the address set forth below Indemnitee signature hereto.

(b) To the Company at:

1515 S. Federal Highway, Suite 307
Boca Raton, Florida 33432
Attention: Chief Executive Officer

With a copy to

Clayton E. Parker, Esq.
K&L Gates LLP
200 South Biscayne Boulevard
39th Floor
Miami, FL 33131

or to such other address as may have been furnished to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. This Agreement may also be executed and delivered by facsimile signature and in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

22. Usage of Pronouns. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

23. Governing Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Nevada, without regard to its conflict of laws rules. The Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Chancery Court of the State of Nevada (the "Nevada Court"), and not in any other state or federal court in the United States of America or any court in any other country, (ii) generally and unconditionally consent to submit to the exclusive jurisdiction of the Nevada Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) waive any objection to the laying of venue of any such action or proceeding in the Nevada Court, and (iv) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Nevada Court has been brought in an improper or inconvenient forum. The foregoing consent to jurisdiction shall not constitute general consent to service of process in the state for any purpose except as provided above, and shall not be deemed to confer rights on any person other than the parties to this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on and as of the day and year first above written.

OMINTO, INC.

By: _____
Name: _____
Title: _____

INDEMNITEE

Name:
Address:

[Signature Page to the Indemnification Agreement]

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Hansen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ominto, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or have caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

DATE: February 14, 2017

By: /s/ Michael Hansen
Name: Michael Hansen
Titles: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Raoul Quijada, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ominto, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or have caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

DATE: February 14, 2017

By: /s/ Raoul Quijada
Name: Raoul Quijada
Titles: Interim Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Ominto, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Hansen, Chief Executive Officer of the Company and Principal Executive Officer and Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: February 14, 2017

By: /s/ Michael Hansen
Name: Michael Hansen
Titles: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C.
SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Ominto, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Hansen, Chief Financial Officer of the Company and Principal Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: February 14, 2017

By: /s/ Raoul Quijada
Name: Raoul Quijada
Titles: Interim Chief Financial Officer
(Principal Financial Officer)