

OMINTO, INC.

FORM 10-Q (Quarterly Report)

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Address	1515 SOUTH FEDERAL HIGHWAY SUITE 307 BOCA RATON, FL 33432
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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 March 31, 2017

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, FL 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

(Do not check if a smaller company)

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 May 12, 2017 is as follows:

Number of shares of Common Stock outstanding: 18,040,791

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

	March 31, 2017	September 30, 2016
	(unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (amount related to VIE of \$130,859)	\$ 11,509,309	\$ 9,596,394
Restricted cash	1,720,087	1,997,921
Other receivables and prepaid expenses (amount related to VIE of \$163,432)	1,373,683	573,958
Deferred costs	17,391,085	7,431,751
Total current assets	31,994,164	19,600,024
Property and equipment, net (amount related to VIE of \$243,450)	2,065,596	2,042,316
Goodwill (amount related to VIE of \$26,760,426)	26,760,426	-
Film costs (amount related to VIE of \$4,519,238)	4,519,238	-
Investment in unconsolidated company, at cost	3,214,284	-
Other assets	67,102	42,471
TOTAL ASSETS	\$ 68,620,810	\$ 21,684,811
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable (amount related to VIE of \$585,215)	\$ 2,154,458	\$ 1,560,001
Amounts payable to Business Associates	5,447,947	5,114,675
Customer deposits	2,510,220	2,829,220
Other payables and accrued liabilities (amount related to VIE of \$1,658,468)	5,216,234	3,129,671
Amounts due to related parties	-	539,438
Deferred subscription fee revenue	21,670,004	13,111,338
Deferred advertising revenue	9,180,575	2,897,835
Liabilities of discontinued operations	-	26,975
Total current liabilities	46,179,438	29,209,153
LONG TERM LIABILITIES:		
Long term debt (amount related to VIE of \$1,857,834)	1,857,834	-
Total long term liabilities	1,857,834	-
TOTAL LIABILITIES	48,037,272	29,209,153
Commitments and contingencies		
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, \$.01 par value; 25.0 million shares authorized; 185,000 and 185,000 shares issued and outstanding, respectively.	1,850	1,850
Common stock, \$.001 par value; 200.0 million and 14.0 million shares authorized, respectively; approx. 18.0 million and approx. 13.4 million shares issued and outstanding, respectively.	18,040	13,386
Additional paid-in capital	71,493,723	51,120,663
Subscription receivable	(970,000)	-
Accumulated other comprehensive income	1,178,091	936,705
Accumulated deficit	(66,027,260)	(59,596,946)
Total Ominto, Inc. stockholders' equity (deficit)	5,694,444	(7,524,342)
Noncontrolling interests	14,889,094	-
Total stockholders' equity (deficit)	20,583,538	(7,524,342)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 68,620,810	\$ 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		Six Months Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
REVENUE				
Business license fees	\$ 2,184,554	\$ 613,424	\$ 3,940,722	\$ 1,403,755
Membership subscription fees and commission income	4,921,246	3,256,975	8,577,840	7,721,950
Advertising and marketing programs	585,919	13,792	957,754	20,269
Other	169,421	112,473	257,296	282,919
	<u>7,861,140</u>	<u>3,996,664</u>	<u>13,733,612</u>	<u>9,428,893</u>
COST OF REVENUES	<u>4,405,470</u>	<u>3,015,590</u>	<u>8,364,171</u>	<u>6,906,852</u>
Gross income/margin	3,455,670	981,074	5,369,441	2,522,041
Selling, general and administrative expenses	<u>7,902,747</u>	<u>4,016,390</u>	<u>12,199,244</u>	<u>7,815,783</u>
LOSS FROM OPERATIONS	(4,447,077)	(3,035,316)	(6,829,803)	(5,293,742)
OTHER INCOME (EXPENSE):				
Interest (Expense)/Income	(8,530)	16	(51,901)	(298,828)
Change in fair value of derivative liability	-	-	-	549,656
LOSS BEFORE INCOME TAXES	<u>(4,455,607)</u>	<u>(3,035,300)</u>	<u>(6,881,704)</u>	<u>(5,042,914)</u>
Income taxes	-	-	-	-
LOSS FROM CONTINUING OPERATIONS	<u>(4,455,607)</u>	<u>(3,035,300)</u>	<u>(6,881,704)</u>	<u>(5,042,914)</u>
(Loss) income from discontinued operations, net of taxes	<u>(230)</u>	<u>28,060</u>	<u>25,825</u>	<u>31,908</u>
Net loss including noncontrolling interest	\$ (4,455,837)	\$ (3,007,240)	\$ (6,855,879)	\$ (5,011,006)
Net loss attributable to noncontrolling interest	310,340	-	425,565	-
NET LOSS ATTRIBUTABLE TO OMINTO, INC.	<u>\$ (4,145,497)</u>	<u>\$ (3,007,240)</u>	<u>\$ (6,430,314)</u>	<u>\$ (5,011,006)</u>
NET LOSS PER SHARE ATTRIBUTABLE TO OMINTO INC. - Basic and diluted				
	<u>\$ (0.23)</u>	<u>\$ (0.25)</u>	<u>\$ (0.40)</u>	<u>\$ (0.43)</u>
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic and diluted	17,929,203	11,921,187	16,065,948	11,759,438

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

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Net loss including noncontrolling interest	\$ (4,455,837)	\$ (3,007,240)	\$ (6,855,879)	\$ (5,011,006)
Foreign currency translation gain (loss)	(434,721)	(340,105)	241,386	(142,711)
Comprehensive loss including noncontrolling interest	\$ (4,890,558)	\$ (3,347,345)	\$ (6,614,493)	\$ (5,153,717)
Comprehensive loss attributable to noncontrolling interest	310,340	-	425,565	-
Comprehensive loss attributable to Ominto, Inc.	<u>\$ (4,580,218)</u>	<u>\$ (3,347,345)</u>	<u>\$ (6,188,928)</u>	<u>\$ (5,153,717)</u>

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

Ominto, Inc. and Subsidiaries
Condensed 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	-	-	200,000	200	1,946,055	-	-	-	1,946,255	-	1,946,255
Common stock issuance for services	-	-	173,950	174	440,438	-	-	-	440,612	-	440,612
Private placement	-	-	523,161	522	2,091,757	-	-	-	2,092,279	-	2,092,279
Private placement to Michael Hansen	-	-	300,000	300	2,069,700	(70,000)	-	-	2,000,000	-	2,000,000
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	-	-	-	-	-	-	241,386	-	241,386	-	241,386
Net loss	-	-	-	-	-	-	-	(6,430,314)	(6,430,314)	(425,565)	(6,855,879)
Balance, March 31, 2017	<u>185,000</u>	<u>\$ 1,850</u>	<u>18,040,791</u>	<u>\$ 18,040</u>	<u>\$ 71,493,723</u>	<u>\$ (970,000)</u>	<u>\$ 1,178,091</u>	<u>\$ (66,027,260)</u>	<u>\$ 5,694,444</u>	<u>\$ 14,889,094</u>	<u>\$ 20,583,538</u>

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended	
	March 31,	
	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES:		
Loss including noncontrolling interest	\$ (6,855,879)	\$ (5,011,006)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization	253,617	33,191
Provision for doubtful accounts	103,357	-
Stock issued for services	440,612	-
Stock-based compensation	1,946,055	690,707
Change in fair value of derivative liability		(549,656)
Changes in operating assets and liabilities:		
Restricted cash	183,365	(436,994)
Other receivables and prepaid expenses	(574,180)	(1,033,543)
Deferred costs	(10,359,392)	1,960,180
Other assets	(7,259)	-
Accounts Payable	(82,030)	412,492
Amounts payable to Business Associates	588,612	195,276
Customer deposits	(178,450)	517,630
Other payables and accrued liabilities	168,384	1,376,871
Amounts due to related parties	(539,438)	(191,857)
Deferred subscription fee revenue	9,235,829	(2,381,445)
Deferred advertising revenue	6,467,008	183,673
NET CASH FLOWS FROM CONTINUING OPERATIONS	790,211	(4,234,481)
Net change in assets and liabilities of discontinued operations	(25,814)	(5,301)
Net cash flows from discontinued operations	(25,814)	(5,301)
NET CASH FLOWS FROM OPERATING ACTIVITIES	764,397	(4,239,782)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in debenture	(2,000,000)	-
Issuance of note receivable	(500,000)	-
Acquisition of business, net of cash acquired	25,251	-
Purchases of equipment and software	(42,836)	(505,630)
NET CASH FLOWS FROM INVESTING ACTIVITIES:	(2,517,585)	(505,630)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of common stock	4,092,279	362,260
Proceeds from exercise of warrant	-	250,000
Proceeds from convertible loan	-	1,400,000
NET CASH FLOWS FROM FINANCING ACTIVITIES	4,092,279	2,012,260
Effect of exchange rate changes	(426,176)	155,854
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,912,915	(2,577,298)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,596,394	3,531,124
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 11,509,309	\$ 953,826
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	\$ -	\$ 165,919
Stock issued in lieu of salaries, bonuses and fees	\$ 440,612	\$ 227,527
Common stock issued for acquisition	\$ 9,714,284	\$ -
Common stock issued for investment in unconsolidated company	\$ 3,214,284	\$ -
Subscription receivable	\$ 970,000	\$ -

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

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 its Cash Back website primarily under the DubLi.com brand.

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 and 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 a 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. Ominto intends that 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 condensed, consolidated financial statements).

Mr. Michael Hansen, the Chief Executive Officer and a Director of the Company, has a direct ownership of approximately 3.3 million shares of our common stock and 185,000 shares (100%) of our issued and outstanding super voting preferred stock as of March 31, 2017. 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 42.1% of the votes that could be cast by our stockholders as of March 31, 2017. 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. However, Mr. Hansen’s 185,000 shares of super voting preferred stock will convert to 185,000 shares of common stock in August 2017 which will reduce his voting control.

On March 6, 2017, the Company’s common stock was approved for listing on the Nasdaq Capital Market stock exchange and its first day of trading on the exchange was March 20, 2017. Prior to this, the Company’s common stock was traded on the Over the Counter (“OTC”) market.

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 consolidated 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 wholly-owned subsidiaries and a subsidiary that is consolidated under the Variable Interest Entity ("VIE") model. All significant intercompany transactions have been eliminated in consolidation.

The Company 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 "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. Examples, though not all-inclusive, of such items include estimates and assumptions for loss contingencies, depreciation or amortization of the economic useful life of an asset, stock-based compensation forfeiture rates, fair values, impairments of investment and other assets, potential outcomes of future tax consequences of events that have been recognized in our consolidated financial statements or tax return, incentive awards and deferred liabilities. We based our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. 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 May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). The core principle of this ASU is that a company will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. In doing so, companies will need to use judgment and make estimates when evaluating contract terms and other relevant facts and circumstances. Additionally, ASU 2014-09 requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended, is effective using either the full retrospective or modified retrospective transition approach for fiscal years, and for interim periods within those years, beginning after December 15, 2017. In March, May and December 2016, the FASB issued several additional accounting standards updates to clarify certain topics within ASU 2014-09. The Company will adopt ASU 2014-09, and its related clarifying ASUs, as of October 1, 2018. The Company is continuing to assess the potential effects of these ASUs on its consolidated financial statements, business processes, systems and controls. The Company’s assessment includes a review of representative contracts at each of the Company’s locations/business units and a comparison of its historical accounting policies and practices to the new standard. Based on the Company’s progress in reviewing various types of revenue arrangements, the Company anticipates adopting the standard using the modified retrospective transition approach. Under this approach, the new standard would apply to all new contracts initiated on or after October 1, 2018. For existing contracts that have remaining obligations as of October 1, 2018, any difference between the recognition criteria in these ASUs and the Company’s current revenue recognition practices would be recognized using a cumulative effect adjustment to the opening balance of retained earnings. Any potential effect of adoption of these ASUs has not yet been quantified; however, based on the review of contracts at the Company’s various locations to date, the adoption of these ASUs is not expected to have a material effect on the timing or amount of revenue recognized as compared to current practices. The Company’s expectations may change as its assessment progresses.

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 the 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. Early application is permitted. It clarifies that internal use software licenses purchased from third parties shall be recorded as an Intangible asset along with recording any related liabilities. It makes clarifications regarding Equity Based Payments to Non Employees and Stock Compensation. The Company plans to adopt this ASU effective at the beginning of its next fiscal year on October 1, 2017 and 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 2017-03, *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, Germany, India and United Arab Emirates, which at times may exceed the statutorily 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 ASC 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, net

Property and equipment are recorded at cost and shown net of accumulated depreciation in the accompanying balance sheets. 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

Internal-use software costs are divided into the research phase and the development phase. All research phase costs are expensed. The following development phase costs should be capitalized: External direct costs of material and services consumed in developing or obtaining internal-use software, payroll and related costs for employees who devote time to and are directly associated with the project, Interest costs incurred while developing internal-use software, costs of enhancements or upgrades of the system. These costs are 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 the carrying amount may not be recoverable.

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 or non-profit clients ("Partner Program").

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

E-commerce and memberships

- Business license fees – Business Associates (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 Business Associates may purchase our membership subscription products for resale in the form of a VIP membership for themselves or for resale to DubLi.com's customers as described under item (ii) below. These membership subscription products expire in twelve (12) months, if not sold by the BA. Revenue is recognized ratably over the subscription period when any membership subscription product is activated or immediately upon expiry; and (ii) DubLi.com 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 Business Associates 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.

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 twelve (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 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 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. Commissions receivable from merchants are included in other receivables and prepaid expenses.
- Advertising and marketing – The Company offers advertising and marketing programs which are sold to BAs in advance of advertising campaigns to generate new DubLi.com shopping customers for our BAs. 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 marketing, 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 twelve (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 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 (12) months.

Cost of Revenues

Cost of revenues are principally commissions based upon each BA's volume of sales, any "down-line" sales by other BAs under the sponsoring BA, and purchase transactions through our shopping website made by customers under the sponsoring BA. Commissions due to BAs at the time of such transaction are recorded as deferred costs until the corresponding revenues are recognized. Special incentive bonuses are recognized when the BA 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 basic Cash Back paid to customers.

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 will be 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 and are recorded when incurred.

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. See Note 3, *Earnings (Loss) per Share*.

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 our 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 condensed consolidated 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 convertible loan which was converted to common stock during the 2016 fiscal year. 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 (3) and six (6) months ended March 31, 2017 and had no dilutive common stock equivalents at March 31, 2016 that affected diluted net loss per share for the related period.

Potentially dilutive securities, which consisted of outstanding stock options and other compensation arrangements not included in dilutive weighted average shares were approximately 1.0 million and 1.8 million for the three (3) months ended March 31, 2017 and 2016, respectively and 1.0 million and 1.8 million for the six (6) months ended March 31, 2017 and 2016, respectively.

4. Restricted Cash

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

	As of	
	March 31, 2017	September 30, 2016
Euro	\$ 117,807	\$ 136,835
Australian Dollar	6,239	7,247
Indian Rupee	156,477	181,752
United States Dollar	1,439,564	1,672,087
Total	<u>\$ 1,720,087</u>	<u>\$ 1,997,921</u>

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 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 his 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. While the primary purpose of Lani Pixels is and will remain the production of feature length, animated films, Ominto also intends to engage Lani Pixels in the production of animated content for DubLi.com and for the DubLi Network. We expect such content will be used for marketing and sales purposes as well as for product and sales training. Thus, on a going forward basis Ominto intends to work with Lani Pixels as its strategic content partner.

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 matured on February 28, 2017 and has been paid in full.

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	<u>9,693,033</u>
Less: common stock issued	9,714,284
Less: promissory note issued	4,000
Net cash inflow	<u>\$ 25,251</u>

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. 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 to goodwill and capitalized production costs and may result in the recordation of additional intangible assets, and these changes may have a material impact on the Company’s consolidated financial statements. The Company does not expect significant changes to any other assets and liabilities. As of March 31, 2017, the Company has identified no additional information having to do with tangible and/or intangible assets and goodwill that would require it to change the purchase price allocation as of the date of the transaction. The Company currently does not have sufficient financial information to determine the value of the identified intangible assets and goodwill, or to be able to determine if additional intangible assets were acquired, and a complete set of audited financial statements is required to make that assessment. Lani Pixels has not completed its audited financial statements for its fiscal years ended 2015 and 2016. Management of Lani Pixels has advised the Company that it expects to complete such financial statements and furnish them to the Company during the Company’s third fiscal quarter. The Company has worked with Lani Pixels’ management to develop a five-year business plan and financial projection. This information, along with Lani Pixels’ audited financial statements, will provide the basis for a final valuation of Lani Pixels and the final purchase price accounting. We expect to complete this analysis with the assistance of an outside valuation expert during the Company’s fiscal fourth quarter.

The table below presents the preliminary estimated fair values of the assets acquired and liabilities assumed on the acquisition date. The excess purchase price paid by the Company over the identifiable net assets acquired was primarily driven by the value of Lani Pixels’ executive management team and employee base, combined with the creative talents and technology expertise of these people. The preliminary estimates in the table below 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	<u>\$ 10,218,284</u>

Unaudited Supplemental Pro Forma Information

The following unaudited supplemental pro forma financial information includes the results of operations of Lani Pixels which we acquired on December 13, 2016 and is presented as if Lani Pixels had been included in Ominto’s consolidated financial statements as of October 1, 2015. The unaudited supplemental pro forma financial information has been provided for illustrative purposes only and does not purport to be indicative of the actual results that would have been achieved by the combined companies for the periods presented, or of the results that may be achieved by the combined companies in the future. Future results may vary significantly from the results reflected in the following unaudited supplemental pro forma financial information because of future events and transactions, as well as other factors, many of which are beyond the Company’s control.

The unaudited supplemental pro forma financial information presented below has been prepared by combining the historical results of the Company and Lani Pixels and does not include adjustments to reflect our transaction-related expenses.

Unaudited supplemental pro forma financial information:	For the Six Months Ended March 31,	
	2017	2016
Revenue	\$ 13,925,681	\$ 9,627,995
Net loss from continuing operations	\$ (6,819,693)	\$ (5,308,123)
Net loss attributable to Ominto	\$ (6,373,930)	\$ (5,418,926)
Basic and Diluted Loss Per Share attributable to Ominto	\$ (.37)	\$ (.38)
Weighted average shares outstanding	17,053,389	14,188,009

	For the Three Months Ended March 31, 2016	
Revenue	\$ 7,986,741	
Net loss from continuing operations	\$ (4,631,823)	
Net loss attributable to Ominto	\$ (4,321,713)	
Basic and Diluted Loss Per Share attributable to Ominto	\$ (.30)	
Weighted average shares outstanding	14,349,758	

6. Investment in Unconsolidated Company

On December 13, 2016, the Company entered into a Share Exchange Agreement with Quant Systems, Inc. (“Quant”), pursuant to which Ominto exchanged 803,571 shares of the Company’s common stock, valued at \$4.00 per share for shares of Quant common stock that represent an aggregate of 18.75% of the issued and outstanding common stock of Quant on a fully diluted basis. Thus, the Company accounts for this transaction under the cost method. 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

Quant is an advisory and IT solutions firm providing cutting-edge technology applications that improve and empower businesses. Quant’s 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 \$1,090,000 to Quant for advisory and IT solutions services during the six (6) months ended March 31, 2017. These costs were expensed and included in selling, general and administrative expenses in the accompanying statement of operations for the six (6) months ended March 31, 2017. The Company is not aware of events or changes in circumstances that would have a significant adverse effect on the carrying values of its cost method investee.

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	
	March 31, 2017	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	596,644	347,765
Computer software	-	-
Software development	1,193,386	1,193,386
Furniture and fixtures	171,885	176,295
	<u>1,961,915</u>	<u>1,717,446</u>
Accumulated depreciation	(771,067)	(549,878)
	<u>1,190,848</u>	<u>1,167,568</u>
Total	<u>\$ 2,065,596</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 March 31, 2017, 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 Business Associates upon attaining certain performance objectives.

Depreciation

Depreciation expense totaled \$141,861 and \$13,892 for the three (3) months ended March 31, 2017 and 2016, respectively, and \$253,617 and \$33,191 for the for the six (6) months ended March 31, 2017 and 2016, 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	
	March 31, 2017	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 March 31, 2017, there were a total of \$3,857,834 of debenture bonds outstanding, of which Ominto is the holder of a \$2,000,000 debenture. The Ominto debenture has been eliminated in the consolidated balance sheet as of March 31, 2017. The net proceeds were used to finance the production of an animated feature film and pay any fees associated with this offering. This 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. This 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

During the six (6) months ended March 31, 2017 and 2016, income from discontinued operations, net of taxes recognized from credits breakage amounted to approximately \$25,825 and 31,908, 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 six (6) months ended March 31, 2017. Liabilities for unused credits of discontinued operations at March 31, 2017 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 six (6) months ended March 31, 2017 and 2016, the Company did not record income tax provisions as a result of net 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 approximately 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 523,161 shares of its common stock to various foreign investors totaling approximately \$2.1 million during the six (6) months ended March 31, 2017 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 shares of restricted common stock to three employees and consultants. These shares were valued based on the closing price of the Company's common stock on the last day of the applicable months in which the employee, consultant and directors provided their services.

In addition, the Company sold 225,000 shares of common stock to an investor and recorded a subscription receivable in the amount of \$900,000 during the six (6) months ended March 31, 2017. The subscription receivable was evidenced by a promissory note that was due to be paid in February 2017. Such promissory note was subsequently amended and the maturity date was extended to February 14, 2018. This has been recorded as a reduction to the Company's total stockholder's equity in accordance with GAAP. The amended promissory note bears interest at the rate of 3.5% per year and is secured by the 225,000 shares of stock and a mortgage on Danish real estate. Should the borrower default, the interest rate will increase to 12% per year.

During the quarter ended March 31, 2017, the Company awarded 100,000 shares of restricted common stock to the Company's CEO and accelerated the vesting of 100,000 shares of restricted common stock previously awarded to the Company's CEO. Pursuant to an amendment to his employment agreement dated as of March 8, 2017, the 100,000 newly awarded shares fully vested on March 8, 2017. The closing price of the Company's common stock on that date was \$6.90 and was used to value such shares. The amendment also provided that the 100,000 shares previously awarded would vest on the date the Company obtained approval for the listing of the Company's common stock on the Nasdaq Capital Markets stock exchange. Such approval was obtained on March 6, 2017 and the \$5.70 closing price of the Company's stock on such date was used to value such shares. The total value of the shares issued to the Company's CEO was \$1,260,000 which has been recorded as stock-based compensation during the three and six months ended March 31, 2017. Additionally, in recognition of Mr. Hansen's efforts in helping the Company obtain its approval for listing, the Company awarded him a \$2,000,000 cash bonus. Mr. Hansen subsequently purchased 300,000 shares of common stock from the Company at the price of \$6.90 per share, \$2,000,000 of which was paid during the second quarter and \$70,000 of which was recorded as a subscription receivable as of March 31, 2017. See Note 16, *Subsequent Events*.

As of March 31, 2017, a total of approximately 720,000 shares were committed for issuance in two unregistered private placements to various foreign investors and to the Company's CEO. These shares are reflected as issued on the books of the Company, but stock certificates have not yet been issued due to certain administrative and documentation requirements. Certificates for these shares committed for issuance are expected to be issued during the quarter ended June 30, 2017.

14. Stock-Based Compensation

The following table summarizes information about stock option activity under the 2010 Omnibus Equity Compensation Plan during the six months ended March 31, 2017:

Balance outstanding, September 30, 2016	440,968
Granted	414,500
Exercised	-
Forfeited	(52,468)
Balance outstanding, March 31, 2017	<u>803,000</u>

During the six (6) months ended March 31, 2017, the Company granted 414,500 stock options to various employees, consultants and Directors under the Plan which vest over 36 to 60 months. Included in the 414,500 stock options is an award of 100,000 stock options to CFO, Raoul Quijada, on March 7, 2017 at an exercise price of \$5.70 (the closing price of the Company's common stock on March 7, 2017), which vest through June 2019, and expire in June 2024.

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 uses of other option valuation methods could result in materially different option values and share-based compensation expense.

Options Activity and Positions

	Number of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of March 31, 2017	803,000	\$ 4.92	6.25	\$ 7,134,366
Exercisable as of March 31, 2017	391,777	\$ 5.69	5.21	\$ 3,178,870

Unamortized stock option compensation expense at March 31, 2017 was approximately \$1.1 million and is expected to be recognized over a period of 2.29 years.

Restricted Stock Units

The following table summarizes information about restricted stock award activity under the Plan for the six months ended March 31, 2017:

Balance outstanding, September 30, 2016	155,280
Granted	330,000
Vested	(255,500)
Forfeited	-
Balance outstanding, March 31, 2017	<u>229,780</u>

During the six months ended March 31, 2017, the Company granted 130,000 restricted shares of common stock to various employees under the Plan which vest over 36 to 60 months. In addition, the Company granted 200,000 restricted shares of common stock to its CEO Michael Hansen which became fully vested upon the Company's common stock being approved for listing on the Nasdaq Capital Market stock exchange on March 6, 2017.

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 March 31, 2017, there were 229,780 unvested restricted shares outstanding with a weighted-average grant date value of \$5.03. The restricted stock units vest over the next 4.4 years. The unamortized value of unvested restricted shares is \$1.1 million

Stock-based compensation expense for the three months ended March 31, 2017 and 2016 was \$1,616,278 and \$271,390, respectively. Stock-based compensation expense for the six (6) months ended March 31, 2017 and 2016 was \$1,946,055 and \$690,707, respectively.

15. Segment Information

We have two reportable segments: (i) e-commerce Cash Back 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 March 31,		Six Months Ended March 31,	
	2017	2016	2017	2016
Revenue:				
e-commerce Cash Back and network marketing	\$ 7,768,110	\$ 3,996,664	\$ 13,629,472	\$ 9,428,893
Animated movie production	93,030	-	104,140	-
Total	\$ 7,861,140	\$ 3,996,664	\$ 13,733,612	\$ 9,428,893
Gross margin:				
e-commerce Cash Back and network marketing	\$ 3,382,369	\$ 981,074	\$ 5,284,990	\$ 2,522,041
Animated movie production	73,301	-	84,451	-
Total	\$ 3,455,670	\$ 981,074	\$ 5,369,441	\$ 2,522,041
Loss from operations:				
e-commerce Cash Back and network marketing	\$ (4,002,409)	\$ (3,035,316)	\$ (6,193,029)	\$ (5,293,742)
Animated movie production	(444,668)	-	(636,774)	-
Total	\$ (4,447,077)	\$ (3,035,316)	\$ (6,829,803)	\$ (5,293,742)
Depreciation:				
e-commerce Cash Back and network marketing	\$ (118,558)	\$ (13,892)	\$ (232,291)	\$ (33,191)
Animated movie production	(23,303)	-	(21,326)	-
Total	\$ (141,861)	\$ (13,892)	\$ (253,617)	\$ (33,191)
Capital expenditures:				
e-commerce Cash Back and network marketing	\$ (10,892)	\$ (130,730)	\$ (13,203)	\$ (505,630)
Animated movie production	(29,633)	-	(29,633)	-
Total	\$ (40,525)	\$ (130,730)	\$ (42,836)	\$ (505,630)
Goodwill:				
e-commerce Cash Back and network marketing			\$ -	\$ -
Animated movie production			26,760,426	-
Total			\$ 26,760,426	\$ -
Total assets:				
e-commerce Cash Back and network marketing			\$ 36,803,405	\$ 21,684,811
Animated movie production			31,817,405	-
Total			\$ 68,620,810	\$ 21,684,811

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2017	2016	2017	2016
Revenues:				
Domestic	\$ 135,662	\$ 2,083,172	\$ 331,603	\$ 4,896,851
Foreign	7,725,248	1,941,552	13,427,834	4,563,950
Total	\$ 7,860,910	\$ 4,024,724	\$ 13,759,437	\$ 9,460,801
Revenues:				
Continuing operations	\$ 7,861,140	\$ 3,996,664	\$ 13,733,612	\$ 9,428,893
Discontinued operations	(230)	28,060	25,825	31,908
Total	\$ 7,860,910	\$ 4,024,724	\$ 13,759,437	\$ 9,460,801

16. Subsequent Events

On April 28, 2017, Ominto provided a short-term loan in the amount of \$250,000 to its VIE, Lani Pixels A/S, through Lani Pixels' subsidiary Lani Pixels DMCC. The loan matures on May 27, 2017, bears a fixed interest rate of 12% per year and is payable in one monthly payment of principal, unpaid interest and any other amounts that are due. Should Lani Pixels default on the loan, the interest rate increases to 15% per year and Ominto reserves the right to seek a conversion of principal to senior debtor status *pari-passu* with common lenders to the extent that there are available assets.

Effective as of April 1, 2017, the Company entered into a Consulting Agreement (the "Consulting Agreement") with Mr. Gregory Newell, a Director of the Company, pursuant to which Mr. Newell will assist the Company with its further expansion efforts in Asia. The term of the Consulting Agreement is for a period of six months and provides that Mr. Newell shall be paid \$9,500 per month and be reimbursed for reasonable business expenses.

On May 1, 2017, the Company executed an Employment Agreement (the "Employment Agreement") with Matthew Cohen, to serve as the Company's General Counsel. The Employment Agreement provides that Mr. Cohen shall receive an annual base salary of \$240,000, be eligible for an annual bonus which shall be determined and made at the sole discretion of the Board, and receive other fringe benefits including reimbursement of business expenses and paid time off. The Employment Agreement creates an "at will" employment relationship and contains certain restrictive covenants including two year post-termination non-solicitation and non-competition agreements as well as a non-disclosure agreement. In connection with this appointment, Mr. Cohen was granted options to purchase 25,000 shares of the Company's common stock ("Common Stock"). One-third of the Options shall vest on May 1, 2018 and the remaining two-thirds of the Options shall vest in twenty-four (24) equal monthly installments commencing on June 1, 2018. The exercise price for the option shall be equal to the closing share price of the Company's common stock on the second business day following the filing of the Company's report on Form 10-Q for the quarter ended March 31, 2017.

At a regularly scheduled meeting of the board of directors of the Company held on May 10, 2017, David Pollei, Chairman of the Board, informed the Company that he had decided not to stand for reelection as a director of the Company at the next annual meeting of stockholders. Such decision not to stand for reelection was not based on any disagreement with the Company.

On May 11, 2017, CEO Michael Hansen delivered the amount of \$70,000 to the Company to complete the purchase of 300,000 shares of Ominto common stock in a private placement that was reported as a subscription receivable in the accompanying balance sheet as of March 31, 2017.

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, except as required by law. 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.

Introduction

We are a global leader in online Cash Back shopping. The Company's shopping platform currently serves customers in more than 100 countries. Using our consumer-adaptive e-commerce sites, shoppers can browse at affiliated merchants' 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 earn Cash Back with each purchase they make 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 a free and a paid membership 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. Our BAs purchase membership subscription products in the form of VIP membership vouchers for DubLi.com's customers. 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.

During the third quarter ending June 30, 2017, we intend to launch an enhanced VIP Lounge membership. The VIP Lounge offers new products and benefits, including DubLi Travel. DubLi Travel is Ominto's search engine, featuring worldwide hotel coverage and listing one of the largest hotel inventories at more than 15,000 destinations. With discounts of up to 60% on hotel bookings, DubLi Travel is backed by leading travel industry hotel accommodation partners, priceline.com, Booking.com and agoda.com, who have a global presence in North America, Europe, the Middle East and Asia-Pacific region. Ominto's new VIP Lounge offers more options for VIP members to save on travel, leisure and entertainment activities, local shopping, dining and services. VIP Lounge members can save on air travel with 10% discounted flight vouchers on round-trip flights anywhere in the world. The new VIP Lounge also offers up to 50% discounts on local retail and dining with over 400,000 offers available throughout North America.

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.

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 "down line" 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. However, our revenue growth rate to date may not be sustainable due to factors, including increasing competition, and increasing maturity of the online shopping market. We plan to continue to invest in our shopping platform and increase our customer base through Partner Programs, our BAs and advertising campaigns, 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 product, we have dedicated white-label Cash Back shopping websites through Partners, which we believe will increase the number of shoppers purchasing products and services through our shopping platform. Our new global Cash Back shopping website launched 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 revenue involves investment in our information technology infrastructure and human resources. We expect our Partner Program to be an important component in our business strategy. We expect that the gross cost of revenue 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 in 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 with marketing services and 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 the DubLi.com 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 MARCH 31, 2017 COMPARED TO THREE (3) MONTHS ENDED MARCH 31, 2016

Consolidated Results

Net loss including noncontrolling interests totaled approximately \$4.5 million and \$3.0 million for the three (3) months ended March 31, 2017 and 2016, respectively. The increase in the net loss consisted of an increase in selling, general and administrative expenses of approximately \$3.9 million offset by an increase in gross margin of approximately \$2.5 million. The loss from operations increased \$1.4 million in the three (3) months ended March 31, 2017 compared to the three (3) months ended March 31, 2016. Further discussions on the results from continuing operations and discontinued operations are provided below.

Continuing Operations

Revenues totaled approximately \$7.9 million and \$4.0 million for the three (3) months ended March 31, 2017 and 2016, respectively. The increase was primarily due to an increase in: (i) business license fees from Business Associates as a result of a higher volume of registrations under the program; and (ii) membership subscription fees from increased sales of VIP memberships.

Gross margin was approximately \$3.5 million and \$1.0 million for the three (3) months ended March 31, 2017 and 2016, respectively. The \$2.5 million increase consisted of an increase in revenues of \$3.9 million partially offset by an increase in cost of revenues of \$1.4 million. Gross margin as a percentage of revenues was approximately 44% and 25% during the three months ended March 31, 2017 and 2016, respectively. The Company experienced growth in new markets which resulted in an increase in certain revenue streams upon which the Company did not have to pay any commissions to BAs.

Selling, general and administrative (“SGA”) expenses were approximately \$7.9 million and \$4.0 million for the three (3) months ended March 31, 2017 and 2016, respectively. The increase primarily consisted of increases in payroll costs mostly attributed to a \$2.0 million bonus awarded to the CEO and \$1.3 million of stock compensation to the CEO in connection with the successful listing of the Company’s common stock on the Nasdaq Capital Markets stock exchange, and increases in rent and office expenses, outside services fees, travel expenses, and net foreign exchange losses partially offset by a decrease in banking and processing fees. Details of our SGA expenses are summarized as follows:

(All amounts in \$ thousands)

	For the three months ended March 31,		
	2017	2016	Change
Advertising and marketing costs	\$ 74	\$ 26	\$ (48)
Depreciation	142	14	(128)
Outside service fees	2,030	1,486	(544)
Payroll costs	4,365	1,943	(2,422)
Rent and office expenses	669	162	(507)
Banking and processing fees	89	235	146
Foreign exchange	126	(19)	(145)
Travel expenses and others	408	169	(239)
Total	<u>\$ 7,903</u>	<u>\$ 4,016</u>	<u>\$ (3,887)</u>

Discontinued Operations

Income from discontinued operations was approximately \$0 for three (3) months ended March 31, 2017, compared to \$28,000, for the three (3) months ended March 31, 2016. All liabilities for unused credits associated with the discontinued reverse auction program that we closed in 2013 were fully recognized in the three months ended December 31, 2016.

SIX (6) MONTHS ENDED MARCH 31, 2017 COMPARED TO SIX (6) MONTHS ENDED MARCH 31, 2016

Consolidated Results

Net loss including noncontrolling interests totaled approximately \$6.9 million for the six (6) months ended March 31, 2017 compared to a net loss of \$5.0 million for the six (6) months ended March 31, 2016. The increase in net loss including noncontrolling interests primarily consisted of an increase in selling, general, and administrative expenses of approximately \$4.4 million partially offset by an increase in gross margin of approximately \$2.8 million. Further discussions on the results from continuing operations and discontinued operations are provided below:

Continuing Operations

Revenue totaled approximately \$13.7 million and \$9.4 million for the six (6) months ended March 31, 2017 and 2016, respectively. The increase was primarily due to an increase in: (i) business license fees from BAs as a result of a higher volume of registrations under the program; and (ii) membership subscription fees from increased sales of VIP memberships.

Gross margin totaled approximately \$5.4 million and \$2.5 million for the six (6) months ended March 31, 2017 and 2016, respectively. The \$2.8 million increase primarily consisted of an increase of \$4.3 million in revenues partially offset by a \$1.5 million increase in costs of revenue during the six (6) months ended March 31, 2017. During the six (6) months ended March 31, 2017 and 2016, gross margin as a percentage of revenues was approximately 39% and 27%, respectively. The Company experienced growth in new markets which resulted in an increase in certain revenue streams upon which the Company did not have to pay any commissions to BAs.

SGA expenses were approximately \$12.2 million and \$7.8 million for the six (6) months ended March 31, 2017 and 2016, respectively. The increase was primarily due to approximately: \$5.6 million in payroll costs that included a \$2.0 million bonus awarded to the CEO and \$1.3 million of stock compensation to the CEO in connection with the successful listing of the Company's common stock on the Nasdaq National Capital Markets stock exchange. Details of our SGA expenses are summarized as follows:

(All amounts in \$ thousands)

	For the six months ended March 31,		
	2017	2016	Change
Advertising and marketing costs	\$ 279	\$ 46	\$ (233)
Depreciation	254	33	(221)
Outside service fees	3,768	1,563	(2,205)
Payroll costs	5,575	5,056	(519)
Rent and office expenses	1,547	306	(1,241)
Banking and processing fees	864	438	(426)
Foreign exchange	(596)	16	612
Travel expenses and others	508	358	(150)
Total	<u>\$ 12,199</u>	<u>\$ 7,816</u>	<u>\$ (4,383)</u>

Discontinued Operations

Income from discontinued operations was approximately \$26,000 and \$32,000 for the six (6) months ended March 31, 2017 and 2016, respectively. The decrease was primarily due to lower revenues in the final recognition of credits breakage associated with inactive BAs from our previous reverse auction business that was closed in 2013.

Foreign Exchange Gain/Losses and the Foreign Currency Translation Adjustment

The Company measures and translates the effects of foreign currency fluctuations in accordance with Accounting Standards Codification (“ASC”) 830, Foreign Currency Matters.

Our operations are conducted in multiple currencies and are exposed to foreign exchange rate fluctuations. Our net revenues and related expenses generated from international locations are denominated in the functional currencies of the local countries, primarily in Euros. Our results of operations and certain of our intercompany balances associated with our international locations are exposed to foreign exchange rate fluctuations. Transactions settled in a currency other than the functional currency; primarily the Euro, are measured at that day’s exchange rate. Changes in functional currency amounts that result from the daily measurement process are considered transaction gains or losses and are included in foreign exchange gains /losses in the statements of operations.

Our assets and liabilities of foreign subsidiaries with a functional currency other than the U.S. dollar are translated into U.S. dollars at period-end exchange rates, with resulting translation gains or losses. Revenue and expenses are translated into U.S. dollars at average rates of exchange during the applicable period. Stockholders’ equity transactions are measured at the exchange rates at the date of each transaction. The net effect of these translations is the foreign currency translation adjustment that is included in accumulated other comprehensive income (loss) on the balance sheets. The foreign currency translation adjustment for the three (3) months ended March 31, 2017 represented a loss on translation of approximately \$435,000 as compared to a loss of \$340,000 for the three (3) months ended March 31, 2016. The foreign currency translation adjustment for the six (6) months ended March 31, 2017 represented a gain of approximately \$241,000 compared to a loss of 143,000 for the six (6) months ended March 31, 2016.

To the extent that the US dollar weakens against foreign currencies, this translation methodology results in these foreign currency translations increasing accumulated other comprehensive income or decreasing accumulated other comprehensive loss on the balance sheets. Similarly, when the U.S. dollar strengthens against foreign currencies, foreign currency translations decrease accumulated other comprehensive income or increase accumulated other comprehensive loss on the balance sheets. Our exposure to foreign currency risks could increase in the future as we continue to expand our operations outside of the U.S.

Non-U.S. GAAP Financial Measures

We supplement our reported U.S. GAAP financial information with certain non-U.S. GAAP financial measures, including earnings before interest, income taxes, depreciation and amortization (“EBITDA”). In addition, we present adjusted EBITDA (“Adjusted EBITDA”). (could also present adjusted net income from continuing operations (“Adjusted Net Income From Continuing Operations”) and adjusted diluted earnings per share from continuing operations (“Adjusted Diluted Earnings Per Share From Continuing Operations”). The “adjusted” non-U.S. GAAP measures exclude, as applicable to the particular periods, non-cash stock-based compensation expense, goodwill and intangible asset impairment, restructuring charges, acquisition integration costs and other non-recurring charges.

We use EBITDA and Adjusted EBITDA, as well as Adjusted Net Income From Continuing Operations and Adjusted Diluted Earnings Per Share From Continuing Operations to evaluate our performance, both internally and as compared with our peers, because these measures exclude certain items that may not be indicative of our core operating results, as well as items that can vary widely across different industries or among companies within the same industry, and for non-cash stock-based compensation expense, can also be subject to market volatility or variations in the value of shares granted. Additionally, these measures provide a baseline for analyzing trends in our underlying business. Management also considers EBITDA and Adjusted EBITDA as indicators of our ability to generate cash to service debt, fund capital expenditures and expand our business, but management does not consider the presented non-U.S. GAAP financial measures as measures of our liquidity. While EBITDA and Adjusted EBITDA are measures of our ability to generate cash, these measures exclude the cash impact of changes in our assets and liabilities as well as interest and income taxes. Net cash provided by operating activities in the consolidated statements of cash flows accounts for these changes in our assets and liabilities.

We believe these non-U.S. GAAP financial measures provide meaningful information and help investors understand our financial results and assess our prospects for future performance. Because non-U.S. GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies’ non-U.S. GAAP financial measures having the same or similar names. These financial measures should not be considered in isolation from, as substitutes for, or alternative measures of, reported net income (loss) from continuing operations, diluted earnings (loss) per share from continuing operations and net cash provided by operating activities, and should be viewed in conjunction with the most comparable U.S. GAAP financial measures and the provided reconciliations thereto. We believe these non-U.S. GAAP financial measures, when viewed together with our U.S. GAAP results and related reconciliations, provide a more complete understanding of our business. We strongly encourage investors to review our consolidated financial statements and publicly filed reports in their entirety and not rely on any single financial measure.

The following table presents a reconciliation of the Company's consolidated financial information to EBITDA and Adjusted EBITDA for the six months ended March 31, 2017 and 2016:

	Six months	
	March 31, 2017	March 31, 2016
Net loss including noncontrolling interests	\$ (6,855,879)	\$ (5,011,006)
Interest (income) expense	51,901	298,828
Income taxes	-	-
Depreciation and amortization	253,617	33,191
EBITDA	\$ (6,550,361)	\$ (4,678,987)
Adjusted EBITDA:		
EBITDA	\$ (6,550,361)	\$ (4,678,987)
Non-recurring, non-cash bonus to CEO	2,000,000	-
Non-cash stock compensation	1,946,005	690,707
Adjusted EBITDA	\$ (2,604,356)	\$ (3,988,280)

The following table presents a reconciliation of working capital (U.S. GAAP basis) to Adjusted working capital (working capital excluding deferred costs from current assets and deferred subscription fee revenue and deferred advertising revenue from current liabilities (a non US GAAP measure) at March 31, 2017 and September 30, 2016:

	March 31, 2017	September 30, 2016
Working capital:		
Current assets	\$ 31,994,164	\$ 19,600,024
Less current liabilities	(46,179,438)	(29,209,153)
Working capital deficit	\$ (14,185,274)	\$ (9,609,129)
Adjusted working capital:		
Current assets	\$ 31,994,164	\$ 19,600,024
less deferred costs	(17,391,085)	(7,431,751)
Adjusted current assets	\$ 14,603,079	\$ 12,168,273
Current liabilities	\$ 46,179,438	\$ 29,209,153
less deferred subscription fee revenue	(21,670,004)	(13,111,338)
less deferred advertising revenue	(9,180,575)	(2,897,835)
Adjusted current liabilities	\$ 15,328,859	\$ 13,199,980
Adjusted working capital deficit	\$ (725,780)	\$ (1,031,707)

Liquidity and Capital Resources

Liquidity

During the six (6) months ended March 31, 2017, we incurred a loss from continuing operations including noncontrolling interest of \$6.9 million. We have an accumulated deficit for the period from our inception through March 31, 2017 of approximately \$66.1 million.

Our stockholders' deficit of approximately \$7.5 million at September 30, 2016 improved to stockholder's equity of approximately \$5.7 million at March 31, 2017 as a result of 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; our private placement sale of common stock to foreign investors totaling approximately \$2.1 million, private placement sale of common stock to the CEO totaling \$2.1 million, and stock compensation of \$1.9 million.

We had a working capital (defined as current assets less current liabilities) deficit of approximately \$14.2 million as of March 31, 2017. However, current liabilities include \$21.7 million of deferred subscription fee revenue and \$9.2 million of deferred advertising revenue which are amortized over a twelve (12)-month period based on the terms of the underlying advertising programs. Current assets include deferred costs of \$17.4 million which are being amortized over a twelve (12)-month period and represent about \$1.5 million of expense per month. As shown above, 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 \$726,000 (non U.S. GAAP basis) at March 31, 2017. For terms of the deferred subscription fee program and deferred advertising revenue program, refer to "Note 2, Summary of Significant Accounting Policies — E-commerce and memberships, in the Notes to Financial Statements.

Total cash and cash equivalents of approximately \$11.5 million at March 31, 2017 increased \$1.9 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 \$1.7 million at March 31, 2017 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 \$800,000 during the six (6) months ended March 31, 2017 consisting primarily of the positive effect of net changes in assets and liabilities. We used cash flows from operations totaling \$4.2 million during the six (6) months ended March 31, 2016 consisting primarily of the negative effect of net changes in assets and liabilities.

We used net cash flows from investing activities of approximately \$2.5 million during the six (6) months ended March 31, 2017 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 \$506,000 for capital expenditures during the six months ended March 31, 2016.

We generated net cash flows from financing activities during the six months ended March 31, 2017 from the sale of approximately 823,000 shares of our common stock to various investors for cash consideration of \$4.1 million. We generated cash flows from financing activities totaling \$2.0 million during the six months ended March 31, 2016 from \$1.4 million of proceeds from convertible loan, \$362,260 of proceeds from the sale of common stock and \$250,000 of proceeds from the exercise of a warrant for shares of common stock.

Long Term Debt

As described in 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 were 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 on 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 revenue 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 March 31, 2017, we held approximately \$10.8 million of unrestricted and approximately \$1.5 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 May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (“ASU 2014-09”). The core principle of this ASU is that a company will recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. In doing so, companies will need to use judgment and make estimates when evaluating contract terms and other relevant facts and circumstances. Additionally, ASU 2014-09 requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which delayed the effective date of ASU 2014-09 by one year. ASU 2014-09, as amended, is effective using either the full retrospective or modified retrospective transition approach for fiscal years, and for interim periods within those years, beginning after December 15, 2017. In March, May and December 2016, the FASB issued several additional accounting standards updates to clarify certain topics within ASU 2014-09. The Company will adopt ASU 2014-09, and its related clarifying ASUs, as of October 1, 2018. The Company is continuing to assess the potential effects of these ASUs on its consolidated financial statements, business processes, systems and controls. The Company’s assessment includes a review of representative contracts at each of the Company’s locations/business units and a comparison of its historical accounting policies and practices to the new standard. Based on the Company’s progress in reviewing various types of revenue arrangements, the Company anticipates adopting the standard using the modified retrospective transition approach. Under this approach, the new standard would apply to all new contracts initiated on or after October 1, 2018. For existing contracts that have remaining obligations as of October 1, 2018, any difference between the recognition criteria in these ASUs and the Company’s current revenue recognition practices would be recognized using a cumulative effect adjustment to the opening balance of retained earnings. Any potential effect of adoption of these ASUs has not yet been quantified; however, based on the review of contracts at the Company’s various locations to date, the adoption of these ASUs is not expected to have a material effect on the timing or amount of revenue recognized as compared to current practices. The Company’s expectations may change as its assessment progresses.

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 the 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. It clarifies that internal use software licenses purchased from third parties shall be recorded as an Intangible asset along with recording any related liabilities. It adds definitions of the terms Issued, Issuing and Issued for use with Equity Based Payments to Non Employees and Stock Compensation. The Company plans to adopt this ASU effective at the beginning of its next fiscal year on October 1, 2017 and 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 2017-03, *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.

Subsequent Events

On April 28, 2017, Ominto provided a short-term loan in the amount of \$250,000 to its VIE, Lani Pixels A/S, through Lani Pixels’ subsidiary Lani Pixels DMCC. The loan matures on May 27, 2017, bears a fixed interest rate of 12% per year and is payable in one monthly payment of principal, unpaid interest and any other amounts that are due. Should Lani Pixels default on the loan, the interest rate increases to 15% per year and Ominto reserves the right to seek a conversion of principal to senior debtor status *pari-passu* with common lenders to the extent that there are available assets.

Effective as of April 1, 2017, the Company entered into a Consulting Agreement (the “Consulting Agreement”) with Mr. Gregory Newell, a Director of the Company, pursuant to which Mr. Newell will assist the Company with its further expansion efforts in Asia. The term of the Consulting Agreement is for a period of six months and provides that Mr. Newell shall be paid \$9,500 per month and be reimbursed for reasonable business expenses.

On May 1, 2017, the Company executed an Employment Agreement (the “Employment Agreement”) with Matthew Cohen, to serve as the Company’s General Counsel. The Employment Agreement provides that Mr. Cohen shall receive an annual base salary of \$240,000, be eligible for an annual bonus which shall be determined and made at the sole discretion of the Board, and receive other fringe benefits including reimbursement of business expenses and paid time off. The Employment Agreement creates an “at will” employment relationship and contains certain restrictive covenants including two year post-termination non-solicitation and non-competition agreements as well as a non-disclosure agreement. In connection with this appointment, Mr. Cohen was granted options to purchase 25,000 shares of the Company’s common stock (“Common Stock”). One-third of the Options shall vest on May 1, 2018 and the remaining two-thirds of the Options shall vest in twenty-four (24) equal monthly installments commencing on June 1, 2018. The exercise price for the option shall be equal to the closing share price of the Company’s common stock on the second business day following the filing of the Company’s report on Form 10-Q for the quarter ended March 31, 2017.

At a regularly scheduled meeting of the board of directors of the Company held on May 10, 2017, David Pollei, Chairman of the Board, informed the Company that he had decided not to stand for reelection as a director of the Company at the next annual meeting of stockholders. Such decision not to stand for reelection was not based on any disagreement with the Company.

On May 11, 2017, CEO Michael Hansen delivered the amount of \$70,000 to the Company to complete the purchase of 300,000 shares of Ominto common stock in a private placement that is reported as a subscription receivable in the accompanying balance sheet at March 31, 2017.

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) is 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 (3) months ended March 31, 2017 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 March 31, 2017.

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.

The remedial steps we have taken are as follows:

1. We continue 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 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; and
 - (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 (3) months ended March 31, 2017.

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 filed on December 29, 2016.

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

The Company sold 7,771 shares of its common stock as part of an unregistered \$5.1 million private placement to foreign investors totaling approximately \$31,000 during the three (3) months ended March 31, 2017; the proceeds of which are being used for general operating needs and acquisitions.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe that the offers, sales and issuances of the above securities were exempt from registration under the Securities Act by virtue of Section 4(1)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving any public offering, or in reliance on Regulation S promulgated under the Securities Act as a transaction conducted outside of the United States with non-U.S. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. We believe all recipients had adequate information about us or had adequate access, through their relationships with us, to information about us.

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>
4.1	Amendment to Promissory Note dated February 13, 2017 between Business Across APS, a Danish entity and the Company*
10.1	Amendment to Employment Agreement between Michael Hansen and the Company dated March 8, 2017*
10.2	Employment Agreement between Matthew Cohen and the Company dated May 1, 2017*
10.3	Consulting Agreement between Gregory Newell and the Company dated April 1, 2017.*
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 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.

* Filed herewith.

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: May 16, 2017

Ominto, Inc.

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

Date: May 16, 2017

Ominto, Inc.

By: /s/ Raoul Quijada
Raoul Quijada
Chief Financial Officer
(Principal Financial and Accounting Officer)

FIRST AMENDMENT TO PROMISSORY NOTE

THIS FIRST AMENDMENT TO PROMISSORY NOTE ("**Amendment**") is entered into effective as of February 13, 2017 (**the "Amendment Date"**) by and between Business Across APS ("**Borrower**") and Ominto, Inc. ("**Lender**"). Borrower and Lender are sometimes referred to individually as a "Party" and collectively as the "Parties".

RECITALS

WHEREAS , Borrower and Lender are parties to that certain Promissory Note dated December 13, 2016 with an aggregate principal amount of USD 900,000 (**the "Note"**);

WHEREAS , Borrower and Lender desire to amend certain terms of the Note in accordance with the terms set forth in this Amendment.

AMENDMENT

NOW, THEREFORE , in consideration of the promises and mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. AMENDMENT

- 1.1 All references in the Note to "February 14, 2017" are hereby deleted and replaced with "February 14, 2018".
- 1.2 Except as expressly amended herein, all of the terms and provisions of the Note shall remain in full force and effect and are hereby certified and confirmed in all respects.

[Remainder of Page Intentionally left Blank; Signature Page to Follow]

In WITNESS WHEREOF, the Parties have duly executed this Amendment as of the Amendment Date.

BUSINESS ACROSS APS

By: /s/ Villads Vest -Hansen
Print Name: Villads Vest-Hansen
Title: Director

OMINTO, INC.

By: /s/ Raoul Quijada
Print Name: Raoul Quijada
Title: Chief Financial Officer

Signature Page to First Amendment to Promissory Note

**FIRST AMENDMENT TO THE
EMPLOYMENT AGREEMENT**

This First Amendment to Employment Agreement (the “**Amendment**”) is executed on this 8th day of March 2017 (the “**Effective Date**”), by and between Michael Hansen (hereinafter referred to as “**Executive**”) and Ominto, Inc. (“**Employer**” and, together with its subsidiaries, the “**Company**”) and serves to amend that certain Employment Agreement dated November 17, 2016 (the “**Employment Agreement**”) by and between Executive and the Company. Capitalized terms used herein but not defined shall have the same meanings given to them in the Employment Agreement. Executive and Company are collectively referred to as the “**Parties**” and singularly referred to as “**Party**.”

RECITALS

WHEREAS, Executive currently is employed by the Company pursuant to the terms of the Employment Agreement; and

WHEREAS, the Parties desire to amend the Employment Agreement as described below, but to otherwise maintain in effect in full all other terms of the Employment Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

AMENDMENT

1. **ADOPTION OF RECITALS**. The Parties adopt the above recitals as being true and correct, and they are incorporated herein as material parts of this Amendment.

2. **SECTION 4(a)**. The Parties agree that Section 4(a) of the Employment Agreement shall be amended and restated as follows:

(a) **RESTRICTED STOCK GRANT**. Ominto shall grant to Executive 200,000 shares of Restricted Stock (as defined in the Ominto, Inc. Amended and Restated 2010 Omnibus Equity Compensation Plan, as may be amended from time to time (the “**Omnibus Plan**”)) under the Omnibus Plan (the “**Restricted Stock Grant**”).

3. **SECTION 4(c)**. The Parties agree that Section 4(c) of the Employment Agreement shall be amended and restated as follows:

(c) The Restricted Stock Grant shall vest on the later of (i) January 1, 2017, (ii) upon the approval of the listing of the Company’s common stock on the NASDAQ stock exchange or (iii) such other date as may be approved by the Board.

4. **FULL FORCE AND EFFECT**. Except as expressly amended herein, all other terms and provisions of the Employment Agreement shall remain in full force and effect and are hereby ratified and confirmed in all respects. The Parties mutually acknowledge and agree that any and all other prior agreements, offer letters or contracts between Executive and the Company, are declared null and void with no legal effect as of the date this Amendment is executed by the Parties.

5. **FURTHER AMENDMENTS**. The Employment Agreement shall further be amended wherever appropriate to reflect the changes indicated above.

6. **RIGHT TO REVIEW AND TO SEEK COUNSEL**. The Executive acknowledges that K&L Gates LLP represents only the Company in this Amendment and does not represent the interests of the Executive and has not advised the Executive in connection with this Amendment. The Executive further acknowledges that he has had the opportunity to seek independent counsel and tax advice in connection with the execution of this Amendment, and the Executive represents and warrants to the Company (a) that he has sought such independent counsel and advice as he has deemed appropriate in connection with the execution hereof and the transactions contemplated hereby, and (b) that he has not relied on any representation of the Company as to tax matters, or as to the consequences of the execution hereof.

7. **GOVERNING LAW**. This Amendment shall be governed and construed in accordance with the laws of the State of Florida without regard to conflicts of law.

8. **HEADINGS AND CAPTIONS**. The titles and captions of paragraphs and subparagraphs contained in this Amendment are provided for convenience of reference only, and shall not be considered terms or conditions of this Amendment.

9. **VALIDITY**. The invalidity or unenforceability of any provision of this Amendment shall not affect the validity or enforceability of any other provision of this Amendment, which shall remain in full force and effect.

10. **COUNTERPARTS**. This Amendment may be executed in one or more counterparts, by facsimile or electronically, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. For purposes of legal enforcement of this Agreement (i.e., by a court of law or equity or in arbitration), a copy or scanned version of this Agreement shall constitute an original.

[*Signature page follows* .]

IN WITNESS WHEREOF , the parties hereto have executed this Agreement on March 8 , 2017.

COMPANY:

EXECUTIVE:

OMINTO, INC.

MICHAEL HANSEN

By: /s/ Raoul Quijada

By: /s/ Michael Hansen

Name: /s/ Raoul Quijada

Title: Chief Financial Officer

EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”), dated as of May 1, 2017 (the “**Effective Date**”), is made by and between Ominto, Inc. (“**Ominto**”) and Matthew Cohen (“**Executive**”). The Company and the Executive are referred to each individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

WHEREAS, the Executive wishes to be employed by the Company and desires to provide his services to the Company in such capacities, on and subject to the terms and conditions hereof; and

WHEREAS, the Company and its subsidiaries and affiliates provide global online cash back shopping and provide a personalized shopping platform, which is used to deliver coupons, deals and cash back to shoppers each time they make online purchases (the “**Business**”); and

WHEREAS, the Company has developed and will develop relationships with Customers, Prospective Customers, Vendors, suppliers and shippers, as well as a reputation in the Business, which are and will become of great importance and value to the Company, and the loss of or injury to the Business will result in substantial and irreparable damage to the Company; and

WHEREAS, in the course of Executive’s employment by the Company, Executive may receive, be taught or otherwise have access to items and information associated with the Business such as sales, purchasing, documentation, marketing and trading techniques, information and materials, customer and supplier lists or information, correspondence, records, financial information, pricing information, computer systems, computer software applications, business plans and other information which is confidential and proprietary; and

WHEREAS, the Company has acquired and/or developed certain trade secrets and Confidential Information, as more fully described below, and has expended significant time and expense in acquiring or developing its trade secret or Confidential Information; and

WHEREAS, as a condition of engagement Executive agrees to comply fully with the terms of this Agreement and all policies and procedures in effect for employee, including but not limited to, all terms and conditions set forth in the Company handbook, any restrictive covenant policies and any other memoranda and communications applicable to Executive pertaining to Company’s policies and procedures.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements contained herein, and intending to be legally bound hereby, the Company and the Executive do hereby agree as follows.

AGREEMENT

1. **Adoption of Recitals**. The Company and Executive hereto adopt the above recitals as being true and correct.

2. **Employment Period**.

(a) Executive's employment with the Company shall commence on the Effective Date.

(b) Executive's employment shall be at-will, meaning that there is no defined and specific term of employment and either Executive or the Company can terminate this Agreement at any time with or without cause and with or without notice.

(c) The period commencing on the Effective Date and running through the applicable Termination Date shall be referred to as the "**Employment Period**."

3. **Position and Duties**.

(a) The Executive shall, during the Employment Period hereunder, serve as General Counsel for the Company and shall perform the executive and administrative duties, functions and privileges incumbent with the position of General Counsel and such other duties as reasonably determined by the Chief Executive Officer ("**CEO**"), the Board of Directors of the Company (the "**Board**"), or the Audit Committee of the Board ("**Audit Committee**") from time to time.

(b) The Executive agrees to serve the Company faithfully, conscientiously and to the best of his ability, and to devote all of his business time to the business and affairs of the Company (and, if requested by the CEO, the Board, or the Audit Committee any subsidiary or affiliate of the Company) so as to promote the profit, benefit and advantage of the Company and, if applicable, any subsidiaries or affiliates of the Company. The Executive shall fulfill his duties of loyalty, fidelity and allegiance to act at all times in the best interests of the Company and to do no act which would injure the business, interests, or reputation of the Company. The Executive's employment is subject to compliance with all the Company's policies, all as may be amended from time to time.

(c) During the Employment Period, the Executive's principal place of employment shall be at the Company's principal place of business in Boca Raton, Florida. The Executive acknowledges, however, that significant domestic and international travel may be required as part of his duties hereunder; and the Executive agrees to undertake such travel as may be reasonably required by the business of the Company from time to time.

4. **Compensation**.

(a) **Base Salary**. During the Employment Period, the Company shall pay to the Executive an annual base salary ("**Base Salary**") of \$240,000 payable by the Company and payable in accordance with the Company's payroll schedules throughout the term of such employment, subject to the provisions of Section 5 hereof (governing Terminations), and subject to any applicable tax and payroll deductions; *provided, however*, that in the Company's sole discretion, based on factors such as the market and the Executive's job performance, salary increases may be made. There, however, is never a guarantee of an increase in Base Salary. Salary decreases may be made through a written modification of this Agreement executed and signed by the Parties.

(b) **Annual Bonus**. In years when the Company is financially successful, at the sole discretion of the Board, the Company may award the Executive a bonus (“**Annual Bonus**”) that reflects and rewards the contributions of the Executive to the Company’s business and success. Any Annual Bonus is awarded at the option of the Company as directed by the Board or the Board’s Compensation Committee. Annual Bonuses are not deemed earned and accrued until *both* of the following events have occurred: the Company through the Board or the Board’s Compensation Committee awards the Annual Bonus *and* the Company receives its audited annual financial statements for the prior fiscal year.

(c) **Equity Incentives**.

(i) **Incentive Stock Options**. The Company shall grant to Executive the option to purchase up to 25,000 shares of the Company’s common stock (the “**Options**”) under the Ominto, Inc. Amended and Restated 2010 Omnibus Equity Compensation Plan, as may be amended from time to time (the “**Omnibus Plan**”).

(ii) **Scheduled Vesting**. Options for 8,333 shares of common stock shall vest on May 1, 2018 and the remaining Options for 16,667 shares of common stock shall vest in twenty-four (24) equal monthly installments commencing on June 1, 2018.

(iii) **Plan Terms Control**. The Options shall be granted pursuant to, and subject to the terms and conditions of, the Omnibus Plan.

(d) **Other Benefits**. During the Employment Period, the Executive shall be entitled to participate in such employee benefit plans, programs or arrangements (collectively the “**Plans**”), implemented by the Company and available to executive officers of the Company. The Company shall have the right, from time to time and in its sole discretion, to modify and amend the benefits provided to its executive officers, including the Executive, consistent with the provisions herein.

(e) **Fringe benefits**.

(i) **Business Expenses**. Subject to approval by the Company, during the Employment Period, the Company shall pay for directly or reimburse the Executive for all reasonable, customary and necessary business-related expenses incurred by the Executive in connection with the duties of the Executive hereunder, upon submission by the Executive to the Company of such written evidence of such expense as the Company may require in accordance with Company policies. Any disputes as to the eligibility of an expense for reimbursement shall be resolved in the sole discretion of the Board.

(ii) **Paid Time Off**. During the Employment Period, the Company agrees that the Executive shall earn twenty (20) business days of Paid Time Off (“**PTO**”) per calendar year for use as the Executive sees fit, provided that such PTO intended for use as vacation time shall be taken at times mutually agreeable to the Executive and Company and otherwise pursuant to applicable workplace policies governing the use of PTO. If at the end of the calendar year, the Executive has accrued PTO that he did not use, the Executive shall be permitted to carry forward up to forty (40) hours of unused PTO. The Executive shall further be entitled to paid federal holidays and authorized leaves (paid and unpaid) in accordance with the policies of the Company then in effect for its senior executives. At all times, irrespective of the reason for the use, the Executive’s use of PTO shall be consistent with the applicable workplace policies.

(iii) Nothing paid to the Executive under any Company “employee benefit plan,” as such term is defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) (including, but not limited to, employee benefit plans, such as foreign plans, which are not subject to the provisions of ERISA), or fringe benefit arrangements shall be deemed to be in lieu of Base Salary payable to the Executive hereunder.

(f) **Recovery of Incentive Compensation**. Notwithstanding anything herein to the contrary, the Executive agrees that incentive compensation payable to the Executive under this Agreement or otherwise shall be subject to any clawback policy adopted or implemented by the Company in respect to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as may be amended, and such regulations as are promulgated thereunder from time to time, or in respect to any other applicable law, regulation or Company policy.

5. **Termination**.

(a) **Termination for Cause**. Notwithstanding the Employment Period, the Company may terminate the Executive for Cause, by giving written Notice of Termination to Executive. The Date of Termination shall be specified in the Notice of Termination. For purposes hereof, “**Cause**” shall mean: (i) the Executive’s failure to materially perform and discharge the duties and responsibilities of the Executive under this Agreement after receiving written notice and allowing the Executive thirty (30) days to cure such failures, if so curable, (provided, however, that after one such notice has been given to the Executive during the Employment Period, the Company is no longer required to provide time to cure subsequent failures under this Subsection 5(a)(i)); (ii) any breach by the Executive of the provisions of Sections 6, 8 and/or 9 hereof; (iii) misconduct which, in the opinion and sole discretion of the Company, is injurious to the Company; (iv) felony conviction involving the personal dishonesty or moral turpitude of the Executive; (v) engagement in illegal drug use or alcohol abuse which prevents the Executive from performing his duties in any manner; (vi) any misappropriation, embezzlement or conversion of the Company’s or any of its parent’s, subsidiary’s or affiliate’s property by the Executive; (vii) willful misconduct or breach of fiduciary duty by the Executive in respect of the duties or obligations of the Executive under this Agreement; (viii) the Executive’s failure to materially perform and discharge the duties and responsibilities of the Executive with respect to goals or objectives periodically provided to the Executive by the Company after receiving written notice and allowing the Executive thirty (30) days to cure such failures, if so curable, (provided, however, that after one such notice has been given to the Executive during the Employment Period, the Company is no longer required to provide time to cure subsequent failures under this Subsection 5(a)(viii)); (ix) the Executive’s inability to perform the essential functions of his job, with or without reasonable accommodation, for an aggregate period in excess of ninety (90) days during the previous twelve (12) months, due to a physical or mental illness, disability or condition; or (x) the Executive’s death.

(b) **Termination by the Company without Cause**. The Company may terminate this Agreement at any time by providing a Notice of Termination. The Date of Termination shall be specified in the Notice of Termination.

(c) **Termination by the Executive**. The Executive may terminate this Agreement by delivering a Notice of Termination to the Company. The Date of Termination shall not be less than sixty (60) days after delivery of the Notice of Termination.

(d) **Obligations Upon Termination**.

(i) **Termination for Cause**. In the event that the employment of the Executive is terminated pursuant to Subsection 5(a), no Compensation (as set forth in Section 4 above), no severance, no pro-rated bonuses or other post-termination payment shall be due or payable by the Company to the Executive (except solely such Base Salary or other payments as may have been accrued but not yet paid prior to such termination). Any outstanding stock option or other stock awards held by Executive as of the Date of Termination shall be subject to the terms of the applicable award agreements.

(ii) **Termination by the Company Without Cause Within First 12 Months of Employment**. In the event that the Company terminates this Agreement pursuant to Subsection 5(b) within the first twelve (12) months of the Employment Period, the Company shall, notwithstanding such termination, in consideration for all of the undertakings and covenants of the Executive contained herein, continue to pay to the Executive the Base Salary in effect as of the Date of Termination for a period of six (6) months from the Date of Termination, provided that such termination constitutes a separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986 (the "**Code**"). In no event, however, shall the continuation of such payments during such post-termination period be deemed to be employment hereunder for purposes of calculating any bonus due to the Executive or for purposes of determining the vesting or exercise period of any stock options granted hereunder, or otherwise. Except as set forth in this Subsection 5(d)(ii), the Executive further shall not be provided benefits from the Company, as set forth in Subsections 4(c) and (d), once the Date of Termination has been reached, other than those benefits that have accrued prior to the Date of Termination. The payments shall be paid in normal payroll schedules with applicable withholdings made from the payment, *provided that*, Executive executes the Release described below in Subsection 5(e).

(iii) **Termination by the Company Without Cause After 12 Full Months of Employment**. In the event that the Company terminates this Agreement pursuant to Subsection 5(b) within after twelve (12) full months of the Employment Period, the Company shall, notwithstanding such termination, in consideration for all of the undertakings and covenants of the Executive contained herein, continue to pay to the Executive the Base Salary in effect as of the Date of Termination for a period of three (3) months from the Date of Termination, provided that such termination constitutes a separation from service within the meaning of Section 409A of the Internal Revenue Code of 1986 (the "**Code**"). In no event, however, shall the continuation of such payments during such post-termination period be deemed to be employment hereunder for purposes of calculating any bonus due to the Executive or for purposes of determining the vesting or exercise period of any stock options granted hereunder, or otherwise. Except as set forth in this Subsection 5(d)(iii), the Executive further shall not be provided benefits from the Company, as set forth in Subsections 4(c) and (d), once the Date of Termination has been reached, other than those benefits that have accrued prior to the Date of Termination. The payments shall be paid in normal payroll schedules with applicable withholdings made from the payment, *provided that*, Executive executes the Release described below in Subsection 5(e).

(iv) **Termination by Executive**. In the event that the employment of the Executive is terminated pursuant to Subsection 5(c), no Compensation (as set forth in Section 4 above), no severance, no pro-rated bonuses or other post-termination payment shall be due or payable by the Company to the Executive (except solely such Base Salary or other payments as may have been accrued but not yet paid prior to such termination).

(e) **Release Required for Severance Payments**. No post-employment payments by the Company relating to termination of employment under the provisions of Section 5(d)(ii) and 5(d)(iii) shall commence until Executive executes and delivers a mutually agreeable release reflecting the provisions of this Agreement and waiving any and all claims against the Company other than the obligations set forth in such release or in a final severance agreement and any applicable revocation period with respect to such release has expired. With respect to any payment of Base Salary that would otherwise be due prior to March 15 of the year following the year in which the Date of Termination occurs, such payment shall be forfeited if such release is not delivered by March 15 of the year following the year in which the Date of Termination occurs. With respect to any payment of Base Salary that would otherwise be due on or after March 15 of the year following the year in which the Date of Termination occurs, such payment shall be forfeited if such release is not delivered within ninety (90) days after the date on which such payment is due.

(f) **Compliance with Section 409A**. The Parties to this Agreement intend that the Agreement complies with Section 409A of the Code, where applicable, and this Agreement shall be interpreted in a manner consistent with that intention. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits upon or following a termination of employment unless such termination qualifies as a "separation from service" within the meaning of Section 409A of the Code and, for purposes of any such provision of this Agreement, references to a "termination," "termination of employment" or like terms shall mean "separation from service." Notwithstanding any other provisions of this Agreement to the contrary, and solely to the extent necessary for compliance with Section 409A of the Code and not otherwise eligible for exclusion from the requirements of Section 409A, if as of the date of the Executive's separation from service from the Company, (i) the Executive is deemed to be a "specified employee" (within the meaning of Section 409A of the Code and the applicable regulations), and (ii) the Company or any member of a controlled group including the Company is publicly traded on an established securities market or otherwise, no payment or other distribution required to be made to the Executive hereunder (including any payment of cash, any transfer of property and any provision of taxable benefits) solely as a result of the Executive's separation from service shall be made earlier than the first day of the seventh month following the date on which the Executive separates from service with the Company. Each payment of Base Salary pursuant to Subsection 5(d)(ii) and 5(d)(iii) shall be considered a separate payment for purposes of Section 409A of the Code.

(g) **Notice of Termination.** A “**Notice of Termination**” to effectuate a termination under Section 5 shall be made in accordance with the Notice provision defined in Section 7. For purposes of this Agreement, a Notice of Termination shall mean a notice, in writing, which shall indicate the specific termination provision of this Agreement relied upon as the basis for the Termination and the Date of Termination. The Date of Termination shall not be earlier than the date such Notice of Termination is delivered (as defined above); *provided however*, that the Company, at its option, may elect to have the Executive not report to work after the date of the written notice.

(h) **Date of Termination.** “**Date of Termination**” means the date on which this Agreement shall terminate in accordance with the provisions of this Section 5.

(i) **Other Obligations.** Upon any termination of Executive’s employment with the Company, Executive shall automatically be deemed to have resigned from any and all other positions he then holds as an officer, director or fiduciary of the Company and any other entity that is part of the same consolidated group as the Company or in which capacity Executive serves at the direction of or as a result of his position with the Company; and Executive shall, within ten (10) days of such termination, take all actions as may be necessary under applicable law or requested by the Company to effect any such resignations.

(j) **Clawback.** All awards, amounts, or benefits received or outstanding under this Agreement shall be subject to clawback, cancellation, recoupment, rescission, payback, reduction or other similar action in accordance with the terms of any applicable law related to such actions, as may be in effect from time to time. The Company may take such actions as may be necessary to effectuate any provision of applicable law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, whether adopted before or after the Effective Date, without further consideration or action.

6. **Restrictive Covenants.**

(a) **Definitions.**

(i) The term “**Company**” for purposes of Section 6 of this Agreement shall mean Ominto, Inc., and its affiliated and related entities.

(ii) The term “ **Confidential Information** ” shall include, but not be limited to, (i) customers, prospective customers, suppliers, licensors, and distributors lists; specific information on customers, prospective customers, suppliers, licensors, and distributors (including information on purchasing preferences, credit information, and pricing); terms and conditions under which the Company deals with licensors, distributors and suppliers or prospective licensors, distributors or suppliers; employee and independent contractor lists; the Company’s sources of supply; the Company’s billing rates; pricing lists (including item and customer specific pricing information); names of agents; operations; contractual or personnel data; trade secrets; license agreements; proprietary purchasing and sales methods and techniques; proprietary compositions, ideas and improvements; pricing methods and strategies; computer programs, computer systems, computer data, system documentation, special hardware, product hardware, related software development and computer software design and/or improvements; methods of distribution; market feasibility studies; proposed or existing marketing techniques or plans; sales and sales volumes; purchasing, transportation, documentation, marketing and trading techniques of customers, prospective customers, suppliers, licensors, and distributors; inventions (including Inventions as defined below; future the Company business plans; project files; design systems; information on current and potential suppliers, distributors and licensors, including, but not limited to, their identity, pricing, and purchasing information not generally known; personal information about the Company’s executives, officers and directors; correspondence, and letters, notes, notebooks, reports, flowcharts, proposals, processes and/or any and all other confidential or proprietary information belonging to the Company or relating to the Company’s business and/or affairs; and (ii) any information that is of value or significance to the Company that derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, including information not generally known to the competitors of the Company nor intended by the Company for general dissemination. Confidential Information shall not include any (a) information known generally to the public (other than as a result of unauthorized disclosure by the Executive), (b) information that became available from a third party source and such source is not bound by a confidentiality agreement, or (c) any information not otherwise considered by the Board to be Confidential Information.

(iii) The term “ **Customer** ” shall mean any person or entity which has purchased products or services from the Company and/or entered into any contract for products or services with the Company within the one (1) year immediately preceding the termination of Executive’s employment with the Company for whatever reason.

(iv) The phrase “ **directly or indirectly** ” shall include the Executive either on his own account, or as a partner, owner, promoter, joint venturer, employee, agent, consultant, advisor, manager, executive, independent contractor, officer, director, stockholder, or otherwise of an entity.

(v) The term “ **Prospective Customer** ” shall mean any person or entity which has expressed interest in purchasing products or services from the Company or expressed interest in entering into any contract for products or services with the Company within the one (1) year immediately preceding the termination of Executive’s employment with the Company for whatever reason.

(vi) The term “ **Restricted Period** ” shall mean the Employment Period and the twenty-four (24) months immediately following termination of the Executive’s employment with the Company for whatever reason.

(vii) The term “ **Restricted Area** ” shall include any geographical location anywhere in the world where the Executive has been assigned to perform services on behalf of the Company during the Employment Period and where the Company, its affiliates or subsidiaries **either** (a) are engaged in business, **or** (b) have evidenced an intention to engage in business.

(viii) The term “**Restricted Business**” shall mean any business that competes with the business of the Company, as such business now exists, or as it may exist at the time of the termination of the Executive’s employment with the Company for whatever reason, including any entity in the business of providing global online cash back shopping and providing a personalized shopping platform.

(ix) The term “**Vendor**” shall mean any supplier, person, or entity from which the Company has purchased products or services during the one (1) year immediately preceding the termination of Executive’s employment with the Company, for whatever reason.

(b) **Non-Competition**. During the Restricted Period, in the Restricted Area, the Executive shall not, directly or indirectly, engage in, promote, finance, own, operate, develop, sell or manage or assist in or carry on in any Restricted Business, *provided, however*, that the Executive may at any time own securities of any competitor corporation whose securities are publicly traded on a recognized exchange so long as the aggregate holdings of the Executive in any one such corporation shall constitute not more than 5% of the voting stock of such corporation. As it relates to the practice of law, this provision shall be interpreted consistent with Florida Rule of Professional Conduct (or similar rules in other jurisdictions), including Rule 5.6

(c) **Non-Solicitation of Employees or Independent Contractors**. During the Restricted Period, the Executive shall not, directly or indirectly, solicit or attempt to induce any employee of the Company or independent contractor engaged and/or utilized by the Company in any capacity to terminate his employment with, or engagement by, the Company. Likewise, during the Restricted Period, the Executive shall not, directly or indirectly, hire or attempt to hire for another entity or person any employee of the Company or independent contractor engaged and/or utilized by the Company in any capacity.

(d) **Non-Solicitation of Customers, Prospective Customers, or Vendors**. During the Restricted Period, the Executive shall not, directly or indirectly, distribute or provide products or services of the type sold or distributed by the Company to any Customer, Prospective Customer, or Vendor of the Company through any entity other than the Company. The Executive acknowledges and agrees that the Company has substantial relationships with its Customers, Prospective Customers, and Vendors, which the Company expends significant time and resources in acquiring and maintaining, and that the Company has Confidential Information pertaining to its business and its Customers, Prospective Customers, and Vendors that the Company’s Confidential Information and relationships with its Customers, Prospective Customers, and Vendors constitute significant and valuable assets of the Company.

(e) **Non-Disclosure of Confidential Information**. During and after employment under this Agreement, including but not limited to the Restricted Period, the Executive shall not, directly or indirectly, without the prior written consent of the Board, or a person duly authorized thereby, other than a person to whom disclosure is reasonably necessary or appropriate in connection with the performance by the Executive of the duties of the Executive as an employee of the Company, disclose or use for the benefit of himself or any other person, corporation, partnership, joint venture, association, or other business organization, any of the trade secrets or Confidential Information of the Company. Executive recognizes that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. At all times during and after Executive's employment with Ominto, Executive shall hold in strictest confidence, and shall not use, except in connection with the performance of Executive's duties, and shall not disclose to any person or entity, such third party confidential or proprietary information, and shall not use it except as necessary in performing Executive's duties, consistent with the Company's Agreement with such third party. If the Executive is legally required to disclose any Confidential Information or trade secrets, the Executive will notify the Company prior to doing so by providing the Company with written notice ten (10) business days in advance of the intended or compelled disclosure. (If disclosure is required sooner than ten (10) days, the Executive must provide the Company with Notice immediately upon learning that disclosure is sought and *before* disclosure is required or compelled.) Notice shall be provided as defined in Section 7 below.

(f) **Notice of Immunity under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA")**. Notwithstanding any other provision of this Agreement, the Executive shall not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(i) is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

Notwithstanding any other provision of this Agreement, if the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive:

(i) files any document containing the trade secret under seal; and

(ii) does not disclose the trade secret, except pursuant to court order.

(g) **Need for Restrictions**. The Executive acknowledges and agrees that each of the restrictive covenants contained in this Section 6 is reasonable and necessary to protect the legitimate business interests of the Company, including, without limitation, the need to protect the Company's trade secrets and Confidential Information and the need to protect its relationships with its customers, prospective customers, suppliers, licensors, distributors and agents. The Executive also acknowledges and agrees, as set forth in Subsection 6(i) below, that the Company may obtain a temporary, preliminary, and/or permanent injunction to restrain any violations of, or otherwise enforce, the restrictive covenants contained in Section 6. The Executive also acknowledges and agrees that, if his future employment's job duties would inevitably cause him/her to disclose Confidential Information or trade secrets of the Company, the Company may seek to protect its legitimate business interests by enjoining him/her from working in that future position.

(h) **Proprietary Rights**.

(i) **Ownership**. The Company shall own all right, title and interest in and to all documentation, manuals, materials, creative works, methods, techniques, compositions, ideas, recipes, creations, improvements, inventions, computer programs and data, system documentation, special hardware, product hardware, related software development, correspondence, letters, notes, notebooks, reports, flowcharts, proposals, know-how and other information, in any medium whatsoever (including, without limitation, any Confidential Information, trade secrets and all software, software code, processes, copyrights, patents, technologies and inventions (collectively, “**Inventions**”), including, without limitation, new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by the Executive during his employment by the Company (including his employment with the Company prior to the date hereof), provided that such Inventions grew out of the Executive’s work with the Company, are related in any manner to the Business, as such term is defined in the Recitals, or are conceived or made on the Company’s time or with the use of the Company’s facilities or materials). The Executive acknowledges and agrees that any of his work product created, produced or conceived in connection with his association with the Company shall be deemed work for hire and shall be deemed owned exclusively by the Company.

(ii) **Executive’s Obligations**. The Executive shall (i) promptly disclose such Inventions to the Company; (ii) assign to the Company, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (iii) execute and deliver all documents required by the Company to document or perfect the Company’s proprietary rights in and to the Company’s work product; and (iv) give testimony in support of his inventorship. The Executive shall deliver all Confidential Information, trade secrets, and/or Inventions to the Company upon the Company’s request, and, in any event, immediately upon termination of the Executive’s employment by the Company.

(iii) **Executive’s Restrictions**. The Executive acknowledges that the Confidential Information, trade secrets, and/or Inventions constitute valuable trade secrets of the Company. The Executive shall not infringe or violate any trade secret or other proprietary right of the Company related to the Confidential Information, trade secrets and/or Inventions, and shall not own, apply for or otherwise attempt to obtain, on behalf of the Executive or others, any proprietary right in any Confidential Information, trade secrets and/or Inventions, which the Company owns or has a right to own, in which the Company has an interest and/or to which the Company has title.

(i) **Breach of Restrictive Covenants**. In the event of a breach or threatened breach by the Executive of any restrictive covenant set forth in Section 6, the Executive agrees that such a breach or threatened breach would cause irreparable injury to the Company, and that, if the Company shall bring legal proceedings against the Executive to enforce any restrictive covenant, the Company shall be entitled to seek all available civil remedies, at law or in equity, including, without limitation, an injunction without posting a bond, damages, attorneys’ fees, and costs.

(j) **Successors and Assigns**. The Company and its successors and assigns may enforce these restrictive covenants.

(k) **Construction, Survival**. If the period of time, area, or scope of restriction specified in this Section 6 should be adjudged unreasonable in any proceeding, then the period of time, area, or scope shall be reduced so that the restrictions may be enforced as is adjudged to be reasonable. If the Executive violates any of the restrictions contained in this Section 6, the Restricted Period shall be tolled during the time that the Executive is in violation. All the provisions of this Section 6 shall survive the term of this Agreement and the Executive’s employment with the Company.

7. **Notice**. For the purpose of this Agreement, notices and all other communications to either Party hereunder provided for in the Agreement shall be in writing and shall be deemed to have been duly given when: (a) delivered in person, mailed by certified mail, return receipt requested or recognized overnight delivery service; **and** (b) transmitted via electronic mail.

If to the Company: Ominto, Inc.
1515 S. Federal Highway, Suite 308
Boca Raton, FL 33432
Telephone: (561) 362-2381
Attention: Mitch Hill
E-mail: mhill@ominto.com

With a copy to (that shall not constitute notice): K&L Gates LLP
Southeast Financial Center – 39th Floor
200 South Biscayne Blvd.
Miami, FL 33131-2399
Telephone: 305.539.3300
Attention: Clayton Parker, Esq.
E-mail: clayton.parker@klgates.com

If to the Executive : Matthew Cohen

to the address on file with the Company

or to such other address as either party shall designate by giving written notice of such change to the other party.

8. **Return of the Company's Property**. All of the Company's and its subsidiaries' and affiliates' products; correspondence; internal memoranda; designs; sales brochures; training manuals; project files; price lists; customer and vendor lists; prospectus reports; customer, licensor, distributor, supplier or vendor information; sales literature; territory printouts; call books; notebooks; textbooks; e-mails; and internet access; and all other like information or products, including all copies, duplications, replications and derivatives of such information or products, acquired by the Executive while in the employ of the Company, whether prepared by the Executive or coming into the Executive's possession, shall be the exclusive property of the Company and shall be returned immediately to the Company upon the expiration or termination of this Agreement for any reason or upon request by the Board. The Executive also shall return immediately return any Company issued property including, but not limited to, laptops, computers, thumb drives, removable media devices, flash drives, smartphones, cellular phones, iPads and other devices upon the expiration or termination of this Agreement for any reason or upon request by the Board. The Executive's obligations under this Section 8 shall exist whether or not any of these items or materials contain Confidential Information or trade secrets. The Parties hereto shall comply with all applicable laws and regulations regarding retention of and access to this Agreement and all books, documents and records in connection therewith. The Executive shall provide the Company with a signed certificate evidencing that all such property has been returned, and that no such property or Confidential Information or trade secret has been retained by the Executive in any form. If the Company has a good faith basis for suspecting that Executive has retained documents, property or information in violation of this provision, if requested, the Executive is obligated to provide the Company and/or its agent with access to the Executive's laptop(s), external drive(s), computer(s), flash drive(s) and/or removable media to ensure all property of the Company or its subsidiaries and affiliates has been returned, and Executive is not retaining copies of the documents or property without the Company permission.

9. **Prior Agreements**. The Executive represents to the Company (1) that there are no restrictions, agreements, or understandings whatsoever to which the Executive is a party which would prevent or make unlawful the Executive's execution of this Agreement or employment hereunder, (2) that the Executive's execution of this Agreement and employment hereunder shall not constitute a breach of any contract, agreement or understanding, oral or written, to which the Executive is a party or by which the Executive is bound, and (3) that the Executive is free and able to execute this Agreement and to enter into employment by the Company. The Executive further represents and agrees that he will not bring with him/her, disclose, or otherwise use any confidential, proprietary or trade secret information acquired from any prior employer, whether that information was created by the Executive or others. A written or oral notice or complaint that Executive breached this provision or violated a restrictive covenant or an agreement not to disclose Confidential Information shall subject the Executive, at the Company's sole discretion, to immediate termination with Cause. The Executive also agrees to fully indemnify the Company for any and all damages, costs and/or attorney's fees incurred by the Company that arise from any claims that were related to the Executive's alleged or actual breach of a restrictive covenant or an agreement not to disclose Confidential Information.

10. **Further Assurances**. Each of the Parties hereto shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent of the Parties hereto.

11. **Right to Review and Seek Counsel**. The Executive acknowledges that he has had the opportunity to seek independent counsel and tax advice in connection with the execution of this Agreement, and the Executive represents and warrants to the Company (a) that he has sought such independent counsel and advice as he has deemed appropriate in connection with the execution hereof and the transactions contemplated hereby, and (b) that he has not relied on any representation of the Company as to tax matters, or as to the consequences of the execution hereof.

12. **Waiver/Amendments**. The waiver by the Company of a breach or threatened breach of this Agreement by the Executive shall not be construed as a waiver of any subsequent breach by the Executive. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification, or discharge is approved by the Board and agreed to in writing signed by Executive and such officer as may be specifically authorized by the Board.

13. **Entire Agreement**. This Agreement contains the entire understanding of the Parties and no agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either Party, which are not set forth expressly in this Agreement. This Agreement supersedes all negotiations, preliminary agreements, and all prior and contemporaneous discussions and understandings of the Parties and/or their affiliates. The Executive acknowledges that he has not relied on any prior or contemporaneous discussions or understandings in entering into this Agreement.

14. **Neutral Construction**. No Party may rely on any drafts of this Agreement in any interpretation of the Agreement. Each Party to this Agreement has reviewed this Agreement and has participated in its drafting and, accordingly, no Party shall attempt to invoke the normal rule of construction to the effect that ambiguities are to be resolved against the drafting Party in any interpretation of this Agreement.

15. **Governing Law**. This Agreement shall be governed and construed in accordance with the laws of the State of Florida without regard to conflicts of law.

16. **Headings and Captions**. The titles and captions of paragraphs, sections, subparagraphs and subsections contained in this Agreement are provided for convenience of reference only, and shall not be considered terms or conditions of this Agreement.

17. **Validity**. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

18. **Survival**. The provisions of this Agreement shall not survive the termination of the Executive's employment hereunder, except that the provisions of (i) Section 5 hereto relating to post-termination payment obligations; (ii) Section 6 hereto relating to the restrictive covenants; (iii) Section 8 hereto relating to return of the Company's property; and (iv) Section 21 relating to jurisdiction, venue and waiver of personal service shall remain binding upon the Parties.

19. **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and the Executive agrees that this Agreement may be assigned by the Company without Executive's consent. This Agreement is not assignable by the Executive.

20. **Counterparts.** This Agreement may be executed in one or more separate counterparts, each of which, when so executed, shall be deemed to be an original. Such counterparts shall, together, constitute and shall be one and the same instrument. This Agreement and the counterparts thereto, may be executed by the Parties using their respective signatures transmitted via facsimile machines or via electronic mail.

21. **Consent to Personal Jurisdiction and Venue; Waiver of Service of Process; Jury Waiver.** The Executive hereby consents to personal jurisdiction and exclusive venue in the United States District Court for the Southern District of Florida, if such Court can exercise jurisdiction over the matter for any action brought by the Company or the Executive arising out of or in connection with this Agreement or the Executive's employment with the Company. In the event the foregoing Court lacks jurisdiction, the Executive consents to personal jurisdiction and exclusive venue in the Circuit Court in and for Palm Beach County, Florida. For purposes of this Section 21, the term "Executive" includes any business entity owned or controlled by the Executive. Each Party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such Notices (under Section 7) to he/it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. **EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, TRIAL BY JURY IN ANY SUIT, ACTION, OR PROCEEDING ARISING HEREUNDER.**

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement on May 1, 2017.

Ominto, Inc.

Matthew Cohen

By: /s/ Michael Hansen

/s/ Matthew Cohen

Name: Michael Hansen

Title: Chief Executive Officer

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT for independent Consultant consulting services (the “Agreement”) is made and entered into as of April 1, 2017, by and between Ominto, Inc., (the “Company”) and Gregory Newell (the “Consultant”).

1. Consulting Services. Consultant shall provide Company with the services described on Exhibit A (the “Services”), as well as other services as may be requested from time to time by Company.
 2. Independent Consultant Relationship. All services rendered hereunder by Consultant shall be rendered as an independent consultant. Any persons employed by Consultant shall be deemed conclusively as employees of Consultant, and they shall at all times be under Consultant’s direction and control. Consultant shall have the full power, authority, and discretion to select the means, manner, and method of performing the services hereunder without detail, control or direction from Company or its officers or directors. Neither Consultant nor any individuals employed by Consultant shall be considered employees of Company for any purposes and they shall not be entitled to participate in any employee benefit plans sponsored or maintained by Company.
 3. Term. The term of this Agreement shall commence on April 1, 2017, (the “Effective Date”) and continue through September 30, 2017, unless this Agreement is terminated earlier by either party pursuant to Section 4 of this Agreement (the “Term”).
 4. Termination by Notice. This Agreement is terminable at any time by either party upon written notice to the other party. For purposes of this Agreement, email notification shall be deemed to be written notice.
 5. Conflict of Interest. During the Term, the Consultant shall disclose in writing to Company any actual or potential conflict that Consultant may have in performing the Services hereunder.
 6. Payment. In consideration of Services, the Consultant will be paid Nine Thousand Five Hundred United States Dollars (USD 9,500) per month (the “Consulting Fee”). The Consultant shall not receive any additional benefits or compensation for Services, except for the reimbursement of expenses, as is more fully described below in Section 7.
 7. Expenses. All normal and customary business expenses incurred by Consultant under this Agreement shall be paid by Consultant and reimbursed by Company in accordance with Company’s standard expense reimbursement policy.
 8. Consultant Responsible for Taxes. The Consultant accepts exclusive liability for the payment of all taxes due on any amounts paid under this Agreement.
 9. Indemnification. The Company shall indemnify, defend, and hold harmless the Consultant from any claims or liabilities (including costs and attorney’s fees) arising out of or in connection with the Consulting Services hereunder.
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10. Confidential Information. Consultant agrees that he shall not use any Confidential Information, as defined below, other than in connection with his duties hereunder or as set forth in any confidentiality agreement between Consultant and Company. “Confidential Information” shall mean any Company proprietary or confidential information, technical data, trade secrets or know-how, including research, product plans, products, services, customer lists and customers, markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, marketing, distribution and sales methods and systems, sales and profit figures, finances and other business information disclosed to Consultant by Company, either directly or indirectly, in writing, orally or by drawings or inspection of documents or other tangible property. However, Confidential Information shall not include any (a) information known generally to the public (other than as a result of unauthorized disclosure by Consultant), (b) information that became available from a third party source and such source is not bound by a confidentiality agreement, or (c) any information not otherwise considered by the Board of Directors of the Company to be Confidential Information.

11. Assignment of Work Product; Title. The Consultant hereby assigns to Company the entire right, title and interest for the entire world in and to all work performed, writings, formulas, designs, models, drawings, photographs, design inventions, other inventions and any information (the “Work Product”) developed, made, conceived or reduced to practice or authorized by the Consultant, either solely or jointly with others, during the performance of services relating to Company and pursuant to this Agreement or with use of Confidential Information, materials or facilities of Company received or used by the Consultant during the period in which the Consultant is retained by Company (or any successor) under this Agreement. The Consultant hereby agrees to: (i) promptly disclose to Company all Work Product made, conceived, reduced to practice or authored by the Consultant in the course of the performance of this Agreement; and (ii) sign, execute and acknowledge any and all documents, and to perform such acts, as may be necessary, useful or convenient for the purpose of securing to Company or its nominees, patent, trademark, or copyright protection throughout the world upon all Work Product. All Work Product, and all products purchased by the Consultant pursuant to this Agreement and paid for by Company, shall be the exclusive property of Company and shall be delivered to Company upon termination of this Agreement.

12. Non-Solicitation. Consultant agrees that during the Term and for six months thereafter, Consultant will not encourage or solicit any employee or consultant of Company to leave Company for any reason.

13. Arbitration, Choice of Law. This Agreement shall be deemed to have been executed and delivered within the State of Florida, and the rights and obligations of the parties hereunder shall be construed and enforced in accordance with, and governed by, the laws of the State of Florida without regard to principles of conflict of laws. In the event of a dispute, the parties agree to binding arbitration in the county of Palm Beach, Florida under the Rules of Comprehensive Arbitration before the Judicial Arbitration and Mediation Service (“JAMS”) located in Boca Raton, Florida. The prevailing party shall be entitled to recover reasonable attorney fees and costs.

14. Severability. If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of the Agreement which can be given effect without the invalid provisions or applications and to this end, the provisions of this Agreement are declared to be severable.

15. Advice of Counsel. In entering into this Agreement, the parties recognize that this Agreement is a legally binding contract and acknowledge and agree that each party has had the opportunity to consult with legal counsel of its choice.

16. Entire Agreement. This Agreement constitutes and contains the entire agreement and final understanding between the parties covering the Services, is intended by the parties as a complete and exclusive statement of the terms of their agreement, and supersedes all prior negotiations and agreements, proposed or otherwise, whether written or oral, between the parties concerning Services. Any representation, promise or agreement not specifically included in this Agreement shall not be binding upon or enforceable against either party. This is a fully integrated document. This Agreement may be modified only with a written instrument duly executed by each of the parties. No person has any authority to make any representation or promise on behalf of any of the parties not set forth herein and this Agreement has not been executed in reliance upon any representations or promises except those contained herein.

17. No Assignment. Consultant shall not assign, either in whole or in part, any of Consultant’s duties or responsibilities hereunder without the written consent of Company and any attempt of assignment, transfer, or delegation without such consent shall be void.

18. Written Reports. The Consultant, when directed, shall provide written reports with respect to the Services rendered hereunder.

19. Headings. Headings are used only for ease of reference and are not controlling.

In Witness Whereof, the parties hereto have executed this Agreement as of the date first above written.

OMINTO, INC.

By /s/ Raoul Quijada
Name: Raoul Quijada
Its: Chief Financial Officer

Notice Address:

OMINTO, INC.
1515 S. Federal Highway, Suite 307
Boca Raton, Florida 33432
561-362-2393

Email: RQuijada@ominto.com

CONSULTANT

By /s/ Gregory Newell
Name: Gregory Newell, individually

Email

Exhibit A

SERVICES

Advise and assist Ominto, Inc. with the expansion of international operations and the planning of Ominto's proposed expansion into new markets with a focus on countries such as Japan, South Korea, and the People's Republic of China

**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: May 16, 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: May 16, 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 March 31, 2017 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: May 16, 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 March 31, 2017 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: May 16, 2017

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