OMINTO, INC.

FORM 10-Q/A
(Amended Quarterly Report)

Filed 11/14/17 for the Period Ending 12/31/16

Address	1515 SOUTH FEDERAL HIGHWAY SUITE 307 BOCA RATON, FL, 33432
Telephone	561-362-2393
CIK	0001097792
Symbol	OMNT
SIC Code	7389 - Services-Business Services, Not Elsewhere Classified
Industry	Internet Services
Sector	Technology
Fiscal Year	09/30

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

FORM 10-Q/A
Amendment No. 1

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

For the quarterly period ended December 31, 2016

OR

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

For the transition period from _____________to _____________.

Commission File Number 0-49801

OMINTO, INC.

(Exact name of registrant as specified in its charter)

Nevada	13-4067623
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1515 S. Federal Highway, Suite 307
Boca Raton, Florida 33432
(Address of principal executive offices)

561-362-2393
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 November 9, 2017 is as follows:

Number of shares of Common Stock outstanding: 17,282,352

EXPLANATORY NOTE

Ominto, Inc. (“Ominto,” the “Company,” “we,” “our,” or “us”) is filing this amendment No. 1 on Form 10-Q/A to the Company’s Quarterly Report on Form 10-Q (“the Amendment”) for the period ended December 31, 2016, as originally filed with the Securities and Exchange Commission (“the SEC”) on February 14, 2017 “(Original Filing”), to restate our unaudited condensed consolidated financial statements and related footnote disclosures at December 31, 2016 and for the three months ended December 31, 2016. The restatement has arisen in connection with the Company’s acquisition of its VIE, Lani Pixels on December 13, 2016. The 1,285,714 shares of the Company’s common stock issued as part of the consideration paid in the acquisition of Lani Pixels should have been recorded as treasury stock on the Company’s unaudited condensed consolidated financial statements. Additionally, total goodwill recorded in the acquisition was not pushed down to Lani Pixels. Details and net effect of the restatement can be found in Note 18 of our unaudited financial statements included in this report. In addition, the Company should have reported and disclosed: (a) its various related party transactions; and (b) its commitments and contingencies. Details of related party transactions and commitments and contingencies can be found in Notes 9, *Related Party Transactions* and Note 13, *Commitments and Contingencies* in the Notes to unaudited financial statements included in this report.

Items Amended in this Form 10-Q/A

This Form 10-Q/A sets forth the Original Filing, in its entirety, as modified and superseded as necessary to reflect the restatement described above. The following items in the Original Filing have been amended as a result of, and to reflect, the restatement:

A. Part I, Item 1. Financial Statements and Notes to Financial Statements
B. Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

In addition, The Company’s Chief Executive Officer and Chief Financial Officer have provided new certifications dated as of the date of this filing in connection with this amendment (Exhibits 31.1, 31.2 and 32.1) and the Company has provided its revised consolidated financial statements formatted in Extensible Business Reporting Language (XBRL) in Exhibit 101.

Except as provided in this explanatory note, or as indicated in the applicable disclosure, this Amendment No. 1 has not been updated to reflect other events occurring after the filing of the Original Filing and does not modify or update information and disclosures in the Original Filing affected by subsequent events. Accordingly, this Amendment No. 1 should be read in conjunction with our filings with the SEC subsequent to the date on which we filed the Original Filing, together with any amendments to those filings.

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PART I: FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Ominto, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(unaudited)

	December 31, 2016 (restated)	September 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (amount related to VIE of $482,462)	$ 11,919,351	$ 9,596,394
Restricted cash	2,737,947	1,997,921
Other receivables and prepaid expenses (amount related to VIE of $149,594)	1,553,012	573,958
Deferred costs	13,402,431	7,431,751
Total current assets	29,612,741	19,600,024
Property and equipment, net (amount related to VIE of $236,572)	2,164,127	2,042,316
Goodwill (amount related to VIE of $19,559,400)	19,559,400	-
Film costs (amount related to VIE of $4,034,679)	4,034,679	-
Investment in unconsolidated company, at cost	3,214,284	-
Other assets (amount related to VIE of $4,277)	55,710	42,471
TOTAL ASSETS	$ 58,640,941	$ 21,684,811
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable (amount related to VIE of $707,111)	$ 1,534,004	$ 1,560,001
Amounts payable to Business Associates	6,357,797	5,114,675
Customer deposits	2,466,831	2,829,220
Other payables and accrued liabilities (amount related to VIE of $585,677)	3,765,398	3,129,671
Amounts due to related parties (amount related to VIE of $1,176,487)	2,128,322	539,438
Deferred subscription fee revenue	21,285,227	13,111,338
Deferred advertising revenue	4,620,317	2,897,835
Debt (amount related to VIE of $1,857,834)	1,857,834	-
Liabilities of discontinued operations	-	26,975
Total current liabilities	44,015,730	29,209,153
TOTAL LIABILITIES	44,015,730	29,209,153
Commitments and contingencies		
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 and 14.0 million shares authorized at December 31, 2016 and September 30, 2016 respectively; approx. 17.5 and 13.4 million shares issued at December 31, 2016 and September 30, 2016 respectively; approx. 16.2 and 13.4 million shares outstanding at December 31, 2016 and September 30, 2016 respectively, approx.	17,533	13,386
Additional paid-in capital	67,776,371	51,120,663
Treasury stock. at cost (1,285,714 shares)	(5,142,856)	-
Subscription receivable	(900,000)	-
Accumulated other comprehensive income	1,612,812	936,705
Accumulated deficit	(61,881,763)	(59,596,946)
Total Ominto, Inc. stockholders' equity (deficit)	1,483,947	(7,524,342)
Noncontrolling interests	13,141,264	-
Total equity (deficit)	14,625,211	(7,524,342)
TOTAL LIABILITIES AND EQUITY (DEFICIT)	$ 58,640,941	$ 21,684,811

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended December 31	
	2016	**2015**
	(restated)	
REVENUE		
Business license fees	$ 1,756,168	$ 655,305
Membership subscription fees and commission income	3,656,594	4,600,106
Advertising and marketing programs	371,835	6,373
Other	87,875	170,445
Gross Revenue	5,872,472	5,432,229
COST OF REVENUES	3,958,701	3,891,262
Gross income	1,913,771	1,540,967
Selling, general and administrative expenses	4,296,497	3,799,393
LOSS FROM OPERATIONS	(2,382,726)	(2,258,426)
OTHER INCOME (EXPENSE):		
Interest (Expense)/Income	(43,371)	(298,843)
Change in fair value of derivative liability	-	549,656
LOSS BEFORE INCOME TAXES	(2,426,097)	(2,007,613)
Income taxes	-	-
LOSS FROM CONTINUING OPERATIONS	(2,426,097)	(2,007,613)
Income from discontinued operations, net of taxes	26,055	3,848
Net loss including noncontrolling interest	(2,400,042)	(2,003,765)
Net loss attributable to noncontrolling interest	115,225	-
NET LOSS ATTRIBUTABLE TO OMINTO, INC.	$ (2,284,817)	$ (2,003,765)
NET LOSS PER SHARE ATTRIBUTABLE TO OMINTO, INC. - Basic and diluted		
Loss from continuing operations	$ (0.16)	$ (0.17)
Income from discontinued operations	$ -	$ -
Total loss attributable to Ominto, Inc.	$ (0.17)	$ (0.17)
WEIGHTED AVERAGE SHARES OUTSTANDING		
Basic and diluted	14,276,997	11,572,289

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended December 31	
	2016	**2015**
	(restated)	
Net loss including noncontrolling interest	$ (2,400,042)	$ (2,003,765)
Foreign currency translation gains	560,882	198,512
Comprehensive loss including noncontrolling interest	(1,839,160)	(1,805,253)
Comprehensive loss attributable to noncontrolling interest	115,225	-
Comprehensive loss attributable to Ominto, Inc.	$ (1,723,935)	$ (1,805,253)

See accompanying notes to unaudited condensed consolidated financial statements

Ominto, Inc. and Subsidiaries
Condensed Consolidated Statements of Equity (Deficit) (Unaudited) (Restated)

	Preferred stock		Common stock									
	Shares outstanding	Par value	Shares outstanding	Par value	Additional paid-in capital	Treasury stock	Subscription receivable	Accumulated other comprehensive income (loss)	Accumulated deficit	Total Ominto equity (deficit)	Non-controlling Interest	Total equity (deficit)
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	-	-	60,000	60	329,167		-	-	-	329,227	-	329,227
Common stock issuance for services	-	-	113,950	114	440,386		-	-	-	440,500	-	440,500
Private placement	-	-	515,390	515	2,061,045		-	-	-	2,061,560	-	2,061,560
Common stock issued for Investment in unconsolidated company	-	-	803,571	804	3,213,480		-	-	-	3,214,284	-	3,214,284
Acquisition of subsidiary with non-controlling interests	-	-	2,428,571	2,429	9,711,855	(5,142,856)	-	115,225	-	4,686,653	13,256,489	17,943,142
Subscribed common stock sold	-	-	225,000	225	899,775		-900,000)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-		-	560,882	-	560,882	-	560,882
Net loss	-	-	-	-	-		-	-	(2,284,817)	(2,284,817)	(115,225)	(2,400,042)
Balance, December 31, 2016 (restated)	185,000	$ 1,850	17,533,020	$ 17,533	$ 67,776,371	$ (5,142,856.00)	$ (900,000)	$ 1,612,812	$ (61,881,763)	$ 1,483,947	$ 13,141,264	$ 14,625,211

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Three Months Ended December 31	
	2016	**2015**
	(restated)	
CASH FLOW FROM OPERATING ACTIVITIES:		
Loss from continuing operations including noncontrolling interest	$ (2,426,097)	$ (2,007,613)
Adjustments to reconcile net loss to net cash flows provided by/(used in) operating activities:		
Depreciation and amortization	113,583	19,299
Provision for doubtful accounts	104,275	-
Stock issued for services	440,500	-
Stock-based compensation	329,227	419,317
Change in fair value of derivative liability	-	(549,656)
Changes in operating assets and liabilities, net of effects of acquisition:		
Restricted cash	(895,268)	(74,636)
Accounts receivable	(30,785)	-
Other receivables and prepaid expenses	(516,161)	(665,756)
Deferred costs	(6,693,141)	549,306
Other assets	8,484	-
Accounts Payable	(684,137)	(73,311)
Amounts payable to Business Associates	1,644,373	23,476
Customer Deposits	(174,784)	141,246
Other payables and accrued liabilities	(709,607)	489,731
Amounts due to related parties - services rendered	1,588,884	(19,095)
Deferred subscription fee revenue	9,356,745	(690,936)
Deferred advertising revenue	1,985,862	64,411
NET CASH FLOWS PROVIDED BY/(USED IN) CONTINUING OPERATIONS	3,441,953	(2,374,217)
Income (loss) from discontinued operations	26,055	3,848
Net change in assets and liabilities of discontinued operations	(26,044)	13,172
Net cash flows from discontinued operations	11	17,020
NET CASH FLOWS PROVIDED BY/ (USED IN) OPERATING ACTIVITIES	3,441,964	(2,357,197)
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Issuance of note receivable to VIE prior to acquisition	(500,000)	-
Investment in debenture to VIE prior to acquisition	(2,000,000)	-
Acquisition of business, net of cash acquired	683,401	-
Acquisition of movie rights and related expenses	(658,150)	
Purchases of equipment and software	(1,743)	(374,900)
NET CASH FLOWS USED IN INVESTING ACTIVITIES:	(2,476,492)	(374,900)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	2,061,560	-
Proceeds from exercise of warrant	-	250,000
Proceeds from convertible loan	-	1,400,000
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	2,061,560	1,650,000
Effect of exchange rate changes	(704,075)	(314.354)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,322,957	(1,396,451)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	9,596,394	3,531,124
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 11,919,351	$ 2,134,673
Supplemental cash flow information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Non-cash investing and financing activities:		
Conversion of convertible notes to common stock	$ -	$ 5,000,000
Reclass of derivative liability of warrants to stockholders' equity	$ -	$ 165,191
Common stock issued for acquisition	$ 9,714,284	$ -
Common stock issued for investment in unconsolidated company	$ 3,214,284	$ -
Subscribed common stock sold	$ 900,000	$ -
Treasury stock - owned by VIE	$ (5,142,856)	$ -
Non-cash portion of movie rights acquired	$ 493,874	-

See accompanying notes to unaudited condensed consolidated financial statements

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

1. The Company

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

The Company's wholly owned operating subsidiaries are:

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

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

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

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

Mr. Michael Hansen, the Chief Executive Officer and a Director of the Company, has a direct ownership of approximately 2.9 million shares of our common stock and 185,000 shares of our super voting preferred stock as of December 31, 2016. Each share of our super voting preferred votes as 40 shares of common stock. As a result, Mr. Hansen has the power to cast approximately 43% of the votes that could be cast by our stockholders (net of treasury shares owned by our VIE Lani Pixels) as of December 31, 2016. Accordingly, he has the power to influence or control the outcome of important corporate decisions or matters submitted to a vote of our stockholders, including, but not limited to, increasing the authorized capital stock of the Company, the dissolution or merger of the Company, sale of all of the Company's assets or changing the size and composition of the board of directors. Betina Dupont Sorensen, the Company's Chief Operating Officer, has a direct ownership of approximately 200,000 shares of our common stock or approximately 1% of the votes that could be cast by our stockholders (net of treasury shares owned by our VIE Lani Pixels) as of December 31, 2016. Ms. Sorensen and our CEO Mr. Hansen share a household.

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.

Liquidity and Capital Resources

As of December 31, 2016 total assets from continuing operations were approximately $60,605,000 consisting of approximately $29,613,000 of current assets including accounts receivable and prepaid expenses of approximately $1,553,000, cash and cash equivalents of $11,919,000, restricted cash of $2,738,000, and deferred costs of $13,402,000. Our non-current assets included Property plant and equipment of approximately $2,164,000, Goodwill of $21,523,000, $4,034,000 of film costs related to our VIE Lani Pixels, $3,214,000 of investments, and $55,710 of other assets.

Total liabilities associated with our continuing operations for the quarter ended December 31, 2016 are all current liabilities and totaled approximately $44,016,000 including $1,858,000 of debenture bonds owed by our VIE, Lani Pixels ("VIE Bonds"). Our current liabilities as of December 31, 2016 were comprised of $21,285,000 of deferred subscription fees, $4,620,000 of deferred advertising revenue, $4,942,000 of payable and accrued liabilities, $2,467,000 of customer deposits, $6,358,000 payable to Business Associates, VIE Bonds of $1,858,000 and $2,486 of accounts payable. Our VIE Bonds have a coupon rate of 5% and mature in 2026 but have been classified as current liabilities due to not being in compliance with the Debenture covenants (See Note 10, *Debt*).

The Company's Board of Directors and Executive Management reasonably believes that the Company will continue to exist to carry out all objectives, commitments, and stated goals for the immediate future as profitability and positive cash flows from operations continue to improve. There is no significant information available to the contrary, as the Company is currently able to meet all current and immediate obligations without substantial asset sales or restructuring. Also, with the introduction of the new operations platform and business model and the arrival of new Executive Management members, Management believes that the financial and business trends will continue to be positive for the foreseeable future. Furthermore, there are no known denials of trade credit from suppliers, and no known adverse legal proceedings that could materially affect the Company.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

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

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

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

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

Reclassifications

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

Use of Estimates and Judgments

The preparation of these unaudited 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 unaudited condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

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

Recent Accounting Pronouncements

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

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

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

In January 2017, the FASB issued ASU 2017-03 *, Accounting Changes & Error Corrections and Investments – Equity Method and Joint Ventures: Amendments to SEC Paragraphs pursuant to Staff Announcements* ("ASU 2017-03"), which amends various FASB Codification Topics. Public business entities are required to adopt this ASU for fiscal years beginning after December 15, 2019, with other entities adopting it for fiscal years beginning after December 15, 2020. Early adoption is permitted as a 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 our foreign subsidiaries in India, Cyprus Germany, Denmark, United Arab Emirates, and British Virgin Islands 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. For the three months ended December 31 we recognized a foreign exchange gain on transactions is included in our selling, general, and administrative expenses of approximately $800,000 and $35,000 in 2016 and 2015 respectively.

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 unaudited condensed consolidated statement of cash flows reports the effect of exchange rate changes on cash balances held in foreign currencies as a separate part of the reconciliation of the change in cash and cash equivalents during the period.

Cash and Cash Equivalents

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

Restricted Cash

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

Allowance for Doubtful Accounts

Receivables are uncollateralized obligations due under normal trade terms, typically requiring payment within 30 days from invoice date. Receivables are stated at the contractual amount billed, net of an allowance for doubtful accounts, if any. Accounts dated over 90 days old are considered past due. We estimate the allowance based on an analysis of specific accounts, taking into consideration the age of past due accounts and an assessment of the debtors' ability to pay and any applicable allowance is included as an offset to accounts receivable. During the three months ended December 31, 2016, there was no allowance for doubtful accounts. Interest income is not recognized on past due accounts. Accounts receivable are included in Other Receivables and Prepaid Expense on the accompanying unaudited condensed consolidated balance sheet.

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 Companie* s for further information of such investments). Dividends received from distributions of net accumulated earnings are recognized as income. Dividends received in excess of net accumulated earnings will reduce the cost of our investment. We will record impairment of investments when we determine that there has been an other-than-temporary decline in the entity's estimated fair value compared to its carrying value.

Film Costs

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

Once a film is released, capitalized film production costs are amortized in the proportion that the revenue during the period for each film bears to the estimated revenue to be received from all sources under the individual-film-forecast-computation method as defined in FASB's Accounting Standards Codification 926-605-25. The amount of film costs that are amortized each quarter depends on how much future revenue is expected to be received from each film. The Company makes certain estimates and judgments of future gross revenues to be received for each film based on historical results and management's knowledge of the industry. Estimates of anticipated total gross revenues are reviewed periodically and may be revised if necessary. A change to the estimate of gross revenues for an individual film may result in an increase or decrease to the percentage of amortization of capitalized film costs relative to a previous period. Unamortized film production costs are compared with net realizable value each reporting period on a film-by-film basis to assess whether there are any indicators of impairment. If estimated remaining gross revenues are not sufficient or are indicative of a potential impairment, the unamortized film production costs will be written down to fair value. There have been no film revenues yet and therefore no amortization has occurred.

Property and Equipment

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

Internal-use Software and Website Development

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

Impairment of Long-Lived Assets

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

Goodwill

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

Fair Value of Financial Instruments

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

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

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

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

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

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

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

Revenue Recognition

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

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

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

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

E-commerce and memberships

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

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

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

  At the end of the fourth quarter of fiscal year 2015, we concluded that we had accumulated a sufficient level of historical data from a large pool of homogenous transactions to allow management to reasonably and objectively determine an estimated unused and expired VIP voucher rate and the pattern of VIP voucher redemptions. Under this method, revenue is recognized and the VIP voucher liability is relieved for unredeemed VIP vouchers in proportion to actual VIP voucher redemptions. We believe this method is appropriate for recognizing revenue on expiration or use, because it better reflects the VIP voucher earnings process. In accordance with Accounting Standards Codification (ASC) Topic 250, "Accounting Changes and Error Corrections," we concluded that this accounting change represented a change in accounting estimate effected by a change in accounting principle. Accordingly, we accounted for the change as a change in estimate utilizing the cumulative catch-up method. The impact of the cumulative catch-up recorded at the end of the fourth quarter 2015 was to reduce VIP voucher deferred revenue and increase revenue by approximately $9.3 million. Correspondingly, the Company reduced deferred cost and increased cost of revenue by approximately $4.6 million.

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

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

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

- Advertising and marketing – The Company offers three advertising programs which are sold to BAs and/or Partners in advance of several advertising campaigns to generate new DubLi.com shopping customers for our BAs and/or Partners. Revenues for the respective advertising and marketing programs are recognized in accordance with the terms and obligations under the programs.

- Film production revenue - Lani Pixels will recognize film revenue from the distribution of its animated feature films and related products when earned and reasonably estimable in accordance with FASB Accounting Standards Codification 926-605-25. The following conditions are met in order to recognize revenue:

  - Persuasive evidence of a sale or licensing arrangement with a customer exists;
  - the film is complete and, in accordance with the terms of the arrangement, has been delivered or is available for immediate and unconditional delivery;
  - the license period of the arrangement has begun and the customer can begin its exploitation, exhibition or sale;
  - the arrangement fee is fixed or determinable; and
  - collection of the arrangement fee is reasonably assured.

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

  Lani Pixels will recognize revenue from its films net of distribution fees, reserves for returns, and marketing and distribution expenses. To date, no film revenue has been earned.

Deferred Subscription Fee Revenue

Deferred subscription fee revenue relates to unearned revenue associated with VIP memberships and business license fees. We sell memberships and payments are received in advance of customers using the memberships. We sell business licenses which are renewed annually. We amortize deferred subscription fee revenue relating to memberships and deferred business license fees over a period of 12 months.

Deferred Advertising Revenue

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

Deferred Business License Revenue

Deferred Business License Revenue relates to unearned revenue associated with business license fees collected in advance from BAs and setup fees collected in advance from Partners that are recognized ratably over twelve months. We report deferred business license revenue as deferred revenue subscription on our balance sheet.

Cost of Revenues

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

Cost of revenues also includes commissions paid to Partners and Cash Back paid to customers.

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

Lani Pixels' currently has no costs of revenues related to its Film production and animation segment. In the future, these costs will primarily include the amortization of capitalized costs, participation and residual costs and write-offs of amounts previously capitalized for titles not expected to be released or released titles not expected to recoup their capitalized costs. The amortization of capitalized costs is based on the amount of revenues earned from all markets.

Selling, General and Administrative Expenses

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

Noncontrolling Interests

A noncontrolling interest represents the other equity holder's interest in an entity that the Company consolidates. Noncontrolling interests are classified as a separate component of equity in the Company's consolidated balance sheets and statements of equity. Net income (loss) and comprehensive income (loss) attributable to noncontrolling interests are reflected separately from the consolidated net income (loss) and comprehensive income (loss) in the consolidated statements of operations and statements of 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 may be subjected to tax reviews in taxing jurisdictions where we operate. We do not currently anticipate that any such reviews would have a material adverse impact on our consolidated financial statements.

Earnings (Loss) per Share

We compute basic earnings (loss) per share by dividing the income (loss) attributable to holders of common stock for the period by the weighted average number of shares of common stock outstanding during the period. The potential impact of all common stock equivalents was excluded from the number of shares outstanding used for purposes of computing net loss per share as the impact of such equivalents was anti-dilutive due to the loss from continuing operations. Potential dilutive securities, which consisted of outstanding stock options, unvested restricted stock and preferred stock not included in dilutive weighted average shares for the three (3) months ended December 31, 2016 and 2015 were approximately 0.9 million and 1.0 million, respectively.

Stock-Based Compensation

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

Segment Policy

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

3. Earnings/Loss Per Share

Basic earnings or loss per share is computed by dividing net income or loss available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income or loss available to common shareholders by the number of fully diluted shares, which includes the effect of dilutive potential issuances of common shares as determined using income from continuing operations, including the potential issuance of common shares upon the exercise, conversion or vesting of outstanding stock options and unvested restricted shares, as calculated under the treasury stock method, as well as shares associated with the Company's convertible debt securities, which were converted during fiscal year 2016. Furthermore, we adjust our weighted average number of common shares outstanding by eliminating all shares of our common stock held by our VIE, Lani Pixels,in effect counting those shares as treasury shares fully excluded from the calculation of weighted average shares outstanding. When the Company reports a net loss, rather than net income, from continuing operations, the computation of diluted loss per share excludes dilutive common stock equivalents as their effect would be anti-dilutive. Therefore, weighted average dilutive common shares would be excluded from the calculation. The Company reported a net loss from continuing operations for the three months ended December 31, 2016 and 2015 and had no dilutive common stock equivalents at December 31, 2016 and 2015 that affected diluted net loss per share for the related periods.

For the three months ended December 31, 2016, there were .9 million potentially dilutive securities, representing outstanding stock options and other compensation arrangements (such as restricted share awards and warrants). For the three months ended December 31, 2015, potential dilutive securities, which consisted of outstanding stock options, warrants and other compensation arrangements amounted to approximately 1.4 million common stock equivalents.

4. Restricted Cash

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

	As of	
	December 31, 2016	September 30, 2016
Euro	$ 19,178	$ 136,835
Australian Dollar	330	7,247
Indian Rupee	-	181,752
United States Dollar	2,718,439	1,672,087
Total	$ 2,737,947	$ 1,997,921

5. Acquisition

On December 13, 2016, the Company acquired a 40.02% economic interest in a Denmark-based company named Lani Pixels A/S ("Lani Pixels") for total consideration of $10.2 million. reduced by approximately $5,1 million for the value of our treasury shares issued. Lani Pixels is an animation production company focused on feature length films and digital marketing content. Lani Pixels is based in Billund, Denmark and it has offices in Denmark and Dubai, U.A.E. The Company owns 40.02% of the common shares and controls 50.02% of the voting rights of Lani Pixels. Lani Pixels is a Variable Interest Entity ("VIE") based on its governance structure and we consolidate Lani Pixels in our consolidated financial statements since we have the power to direct activities that most significantly impacts its economic performance. We have a voting rights agreement with a 10% shareholder granting us the irrevocable right to vote their shares in our favor. Additionally, the Company holds a majority of the seats on the Board of Directors of Lani Pixels (3 out of 5 board seats). There are no liquidity arrangements, guarantees or other financial commitments between the Company and Lani Pixels (except as disclosed in Note 13, *Commitments and Contingencies*), 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. Beyond its primary focus on feature length animated films, Lani Pixels plans to use its capabilities to produce animated training materials for the DubLi Network and digital marketing content for DubLi.com in the future.

The transaction consisted of three parts:

(1) The Company entered into a Share Exchange Agreement with Lani Pixels pursuant to which Lani Pixels issued and transferred to the Company, all rights, title, and interest in and to shares of Lani Pixels' common stock representing an aggregate of 20% of the issued and outstanding common stock of Lani Pixels on a fully diluted basis in exchange for the issuance of 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.

(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 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 for $4,000 ("Purchase Price"). The promissory note matured on February 28, 2017 and was paid on July 24, 2017.

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

Revenue	$	11,000
Net Loss including noncontrolling interest	$	192,042

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	$	5,075,428
Less: cash acquired		(1,183,401)
Purchase price, net of cash acquired		3,892,027
Less: common stock issued		4,571,428
Less: promissory note issued		4,000
Net cash inflow	$	683,401

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. Our maximum risk of financial loss is our 40.02% interest and any loans in the form of debentures and promissory notes that we have provided to Lani Pixels from time to time which are described in Note 5, *Acquisitions* and Note 10 *, Debt.*

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

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

Assets acquired and liabilities assumed:

Cash and cash equivalents	$	1,183,401
Accounts receivable		211,606
Other receivables and prepaid expenses		137,039
Property and equipment		235,143
Identifiable intangible assets		-
Goodwill		19,559,400
Film costs		3,117,524
Accounts payable		(216,760)
Note payable, other payables and accrued liabilities		(361,115)
Due to related parties		(3,676,487)
Long term liabilities		(1,857,834)
Noncontrolling interest upon acquisition of business		(13,256,489)
Purchase price	$	5,075,428

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.

Combined proforma information related to revenues and results of operations as if the business combination occurred on October 1, 2015 are approximately as follows:

	For the three months ended December 31,	
	2016	**2015**
Revenue	$ 5,895,000	$ 5,506,000
Net loss including noncontrolling Interest	$ (2,478,000)	$ (2,090,000)

6. Investment in Unconsolidated Company

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

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

The Company has paid approximately $600,000 to Quant against their invoices for advisory and IT solutions services during the three months ended December 31, 2016 (see Note 9, *Related Party Transactions)* . These costs were expensed and included in selling, general and administrative expenses in the accompanying statement of operations for the three months ended December 31, 2016.

7. Deferred Costs

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

8. Property and Equipment

Property and equipment comprised the following:

	As of	
	December 31, 2016	September 30, 2016
Land:		
Held for sales incentives	$ 874,748	$ 874,748
Computers and equipment	906,558	347,765
Software development	1,193,385	1,193,386
Furniture and fixtures	170,244	176,295
	2,270,187	1,717,446
Accumulated depreciation	(980,808)	(549,878)
	1,289,379	1,167,568
Total	$ 2,164,127	$ 2,042,316

Land Held for Sales Incentives

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

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

Depreciation

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

9. Related Party Transactions

As of December 31, 2016, the company owed $2,128,322 to related parties.

As mentioned in Note 5 *Acquisitions* , and Note 10, *Debt,* the Company loaned its VIE, Lani Pixels $500,000 on or about November 1, 2016 prior to the acquisition and Lani Pixels issued a promissory note in the amount of $500,000 to the Company. The Note originally matured on October 31, 2017 and has been extended to October 31, 2018, the note 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 in or about November 2016. These amounts are eliminated in consolidation.

Our CEO's and COO's compensation are paid to Best Invest Commercial Brokers Ltd, a UAE corporation ("Best Invest") that is owned and controlled by our CEO and COO. During the three months ended December 31, 2016, the Company incurred expenses of $210,790 and made payments totaling to $163,795. As of December 31, 2016, the Company had a net payable balance of $5,065 with Best Invest comprising of payroll related expenses. During the three months ended December 31, 2015, the Company incurred payroll related expenses of $80,000 and made payments totaling to $60,000. As of September 30, 2016, the Company had a net receivable balance of $42,000 with Best Invest.

Best Invest has provided advances to our VIE, Lani Pixels. These advances are uncollateralized, non-interest bearing and due on demand. As of December 31, 2016, $1,176,487 of these advances remain outstanding.

Quant Systems, Inc. ("Quant"), provides programming support and maintenance to the Company. The Company acquired 18.75% in the capital of Quant on December 13, 2016 (see also Note 6, *Investment in unconsolidated company* .) and as such is considered a related party. During the three months ended December 31, 2016, the Company incurred expenses of $ 806,816 and made payments totaling to $600,000. As of December 31, the Company had net payable balances of $281,178 and $74,362 for December 31, 2016 and September 30, 2016 respectively with Quant comprising programming expenses. The Company did not incur any programming expenses or make any payments to Quant during the three months ended December 31, 2015.

COC, GmbH, provides administrative support to the Company in Berlin, Germany, shares common ownership with Ominto, and is reimbursed for salaries, rent and other establishment expenses. COC has focused almost exclusively on work for Ominto providing outsource services for Ominto. During the three months ended December 31, 2016, the Company incurred expenses of $515,859 and made payments totaling to $491,001. As of December 31, 2016, the Company had a net payable balance of $339,480 with COC comprising of administrative expenses. During the three months ended December 31, 2015, the Company incurred administrative expenses of $276,728 and made payments totaling to $235,281. As of September 30, 2016, the Company had a net payable balance of $336,703 with COC comprising of administrative expenses.

Agaani, UAE, provides administrative support to the Company in Dubai, UAE, and gets reimbursed for salaries, rent and other establishment expenses. Agaani shares common ownership with Ominto and is thusly considered a related party. Agaani has focused almost exclusively on work for Ominto providing outsource service for Ominto. Agaani, UAE, provides administrative support to the Company in Dubai, UAE, and is reimbursed for salaries, rent and other establishment expenses. During the three months ended December 31, 2016, the Company incurred expenses of $555,996 and made payments totaling to $340,518. As of December 31, 2016, the Company had a net payable balance of $326,112 with Agaani comprising administrative expenses. During the three months ended December 31, 2015, the Company incurred expenses of $204,032 and made payments totaling to $212,538. As of September 30, 2016, the Company had a net payable balance of $64,247 with Agaani comprising of establishment expenses.

As of September 30, 2016, the Company owed $449,952, shown on our balance sheet as Other payables and accrued liabilities, to our CEO for advances, which are non-interest bearing and due on demand These amounts were paid in full during the three months ended December 31, 2016.

As of September 30, 2016, the Company had amounts due of $106,126 for services rendered comprising 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. These amounts were paid in full during the three months ended December 31, 2016.

10. Debt

During 2016, prior to the Company's acquisition of Lani Pixels, Lani Pixels authorized up to $12,000,000 of senior secured term bonds. As of December 31, 2016, there were a total of $3,857,834 of debenture bonds outstanding; of this amount Ominto is the holder of a $2,000,000 debenture. The debenture owned by Ominto has been eliminated in the consolidated balance sheet as of December 31, 2016. The net proceeds will be used to finance the production of an animated feature film and pay any fees associated with this offering. The Debenture has a coupon of 5% per annum, payable semi-annually and a running fee that entitles the holder to 3% of the gross revenues from July 1, 2017 to and including December 31, 2025, paid semi-annually on April 12, 2019 for the preceding semi-annual period from July 1 through December 31. The Debenture matures on February 12, 2026 and has a call option under which the principal amount may be redeemed in whole from April 12, 2019 or on any consecutive coupon date thereafter.

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. Lani Pixels is not in compliance with the covenant in the Debenture to set up a debt service reserve account. Therefore, the debt is considered in default and callable and this amount is classified as current liabilities in the accompanying balance sheet as of December 31, 2016.

11. Discontinued Operations

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

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

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

12. Income Taxes

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

13. Commitments and Contingencies

On December 21, 2016, a subsidiary of our VIE, Lani Pixels entered into a transfer agreement to repurchase rights for the Company's feature-length, animated film from Cinemation 1, ApS, a prior provider of financing for the film project. The rights were repurchased for approximately $922,000 plus transaction costs, with approximately $567,150 paid upon signing and the remaining $493,874 due by March 15, 2017. As a condition of the transfer agreement, Lani Pixels pledged collateral in the form of 1,285,714 shares ("the Shares") of Ominto common stock which it received in the Share Exchange Agreement dated December 13, 2016 and which is reported as treasury stock in the Company's unaudited consolidated financial statements at December 31, 2016. On March 22, 2017, The Company paid the balance of the agreement and the Shares are no longer pledged as collateral.

Employment agreements

The Company has employment agreements with certain officers, which extend to 60 months, and are renewable for successive oneyear terms. These agreements provide for base levels of compensation and separation benefits. Future minimum payments under these employment agreements as of December 31, 2016 are as follows:

December 2017	$	600,000
December 2018		600,000
December 2019		600,000
December 2020		600,000
December 2021		600,000
Total	$	3,000,000

In addition to the above, the Company has committed separation benefits payable to these officers under certain events described in their employment agreements.

Operating Leases

The Company leases its office premises located in Boca Raton, Florida, Berlin, Germany and Dubai, United Arab Emirates (UAE). The initial term of the Florida lease was for 39 months. During fiscal year 2016, the Company increased its leased space in Florida and extended the lease terms to 63months until October 31, 2021. The term for the Berlin lease was for 12 months ending on December 31, 2017. The Dubai related leases all have terms of 12 months in which the latest ends on February 28, 2018. Future minimum payments for all of these leases as of December 31, 2016 is as follows:

December 2017	$	252,231
December 2018		175,631
December 2019		117,108
December 2020		109,169
December 2021		90,974
Total	$	745,113

14. Equity

Common Stock

As described in *Note 5, Acquisitions* and *Note 6, Investment in Unconsolidated Company* , the Company issued 3.2 million shares of its common stock valued at $4 per share or a total of approximately $12.9 million to acquire 40.02% of Lani Pixels, A/S and 18.75% of Quant Systems, Inc. Our common stock shares issued to our VIE Lani Pixels in connection with our investment in that company, a total of 1,285,714 shares of our common stock, are reported in Treasury shares on our unaudited condensed consolidated balance sheet included in this report. Additionally, those shares are excluded from our calculation of weighted average shares outstanding and loss per share on our unaudited condensed consolidated statement of operations included in this report.

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

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

In addition, the Company sold 225,000 shares and recorded a subscription receivable in the amount of $900,000 during the quarter ended December 31, 2016. The subscription receivable is due to be paid in February 2017 and has been temporarily reclassified as a reduction to Ominto's total stockholder's equity in accordance with GAAP. The terms of payment have been subsequently extended to February 2018.

As of December 31, 2016, a total of approximately 1,266,619 shares were committed for issuance in an unregistered private placement to various foreign investors and reflected as issued on the books of the Company, but stock certificates were not issued due to certain administrative and documentation requirements. Certificates for these shares committed for issuance are expected to be issued during the quarter ended March 31, 2017. These have been subsequently issued except for approximately 16,000 shares that have not been issued due to documentation requirements.

15. Stock-Based Compensation

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

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

The Company determines the fair value of stock option awards using the Black-Scholes option pricing model with estimates of option lives, stock price volatility and interest rates, then expensed over the periods of service. Changes in the estimated inputs or using other option valuation methods could result in materially different option values and share-based compensation expense. The Company used an 85% volatility rate (based on a peer group) to value stock options granted during the period.

During the three months ended December 31, 2016, the Company granted 314,500 stock options to various employees, consultants and Directors under the Plan which vest over 36 to 60 months. The Company granted 280,000 stock options to Mitch Hill, a Director on the Board who also served as Interim CEO during 2016 (see Note 17, *Subsequent Events* for information about the rescission of a portion of these stock options). Only 100,000 stock options granted to Mitch Hill (net of 180,000 rescinded) are included in the 314,500 stock options granted above.

Options Activity

	Number of shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding as of December 31, 2016	734,110	$ 4.74	7.92	$ 251,600
Exercisable as of December 31, 2016	360,757	$ 5.88	5.27	$ 46,878

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

Restricted Stock Awards

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

Balance outstanding, September 30, 2016	155,280
Granted	230,000
Vested	(27,326)
Forfeited	-
Balance outstanding, December 31, 2016	357,954

During the three months ended December 31, 2016, the Company granted 130,000 restricted shares of common stock to various employees under the Plan which vested over 36 to 60 months. In addition, The Company granted 100,000 restricted shares to the CEO, Michael Hansen in connection with his November 2016 employment agreement. The Company's CEO was entitled to an additional 400,000 restricted shares of common stock upon the attainment of certain performance goals (see Note 17, *Subsequent Events* for information about the rescission of the additional 400,000 restricted shares).

The Company determines the value of its restricted stock awards on the grant date using the intrinsic value method which is based on the number of shares granted and the quoted price of our common stock on the grant date. As of December 31, 2016, there were 357,954 unvested restricted shares outstanding with a weighted-average grant date value of $5.07. The restricted stock awards vest over the next 2.2 years. The unamortized value of unvested restricted shares is $1.5 million.

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

16. Segment Information

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

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

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015
	(restated)	
Revenue:		
E-commerce cashback and network marketing	$ 5,861,363	$ 5,432,229
Animated movie production	11,110	-
Total	$ 5,872,473	$ 5,432,229
Gross profit:		
E-commerce cashback and network marketing	$ 1,902,621	$ 1,540,967
Animated movie production	11,110	-
Total	$ 1,913,731	$ 1,540,967
Loss from operations:		
E-commerce cashback and network marketing	$ (2,235,631)	$ (2,258,426)
Animated movie production	(147,096)	-
Total	$ (2,382,727)	$ (2,258,426)
Depreciation:		
E-commerce cashback and network marketing	$ 115,560	$ 19,299
Animated movie production	(1,977)	-
Total	$ 113,583	$ 19,299
Capital expenditures:		
E-commerce cashback and network marketing	$ 2,291	$ 374,900
Total	$ 2,291	$ 374,900

	December 31, 2016	September 30, 2016
Goodwill:		
E-commerce cashback and network marketing	$ -	$ -
Animated movie production	19,559,400	-
Total	$ 19,559,400	$ -
Total assets:		
E-commerce cashback and network marketing	$ 31,828,300	$ 21,684,811
Animated movie production	23,598,357	-
Total	$ 55,426,657	$ 21,684,811

Total revenues are also summarized as follows:

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015
	(restated)	
Revenues:		
Domestic	$ 28,422	$ 3,308,478
Foreign	5,844,050	2,047,599
Total	$ 5,872,472	$ 5,436,077
Revenue represented from:		
Continuing operations	$ 5,846,417	$ 5,432,229
Discontinued operations	26,055	3,848
Total	$ 5,872,472	$ 5,436,077

17. Subsequent Events

On January 17, 2017, the Board rescinded 400,000 restricted shares that were granted during the current quarter to CEO Michael Hansen and, 180,000 stock options granted during the current quarter to Director Mitch Hill In addition, the Board also rescinded 200,000 restricted shares previously granted to COO Betina Dupont Sorensen in her September 2016 employment agreement (See Note 15, *Equity*). These rescissions were completed in order to be compliant with our 2010 Equity Incentive Plan .

The Company extended the due date for a $900,000 loan to Paseco ApS to acquire 225,000 shares of the Company common stock to February 2018 from February 2017 (see Note 15 *, Equity*).

18. Restatement

Ominto, Inc. is restating its unaudited condensed consolidated balance sheet, statement of operations and statement of cash flows and statement of equity (deficit) as of and for the three months ended December 31, 2016. The restatement shows the as previously filed, restatement adjustment and as restated columns.

The primary adjustments to the financial statements are:

In connection with the Company's acquisition of its VIE, Lani Pixels on December 13, 2016, the Company issued 1,285,714 shares of its common stock valued at $5,142,856 to Lani Pixels as consideration but did not report the shares as Treasury stock with a corresponding decrease to Goodwill that was recorded in the transaction.

Total Goodwill recorded in the acquisition of the Company's VIE, was not pushed down to Lani Pixels which resulted in a decrease in Accumulated Other Comprehensive Income of $115,225.

A summary of the adjustments to the financial statements is as follows:

	December 31, 2016		
	As Originally Reported	**As Adjusted**	**Effect of Change**
Goodwill	26,760,426	19,559,401	(7,201,025)(a)
Accounts payable	2,485,839	1,534,004	(951,835)(c)
Other payables and accrued liabilities	4,941,885	3,765,398	(1,176,487)(d)
Amounts due to related parties	-	2,128,322	2,128,322(e)
Treasury stock, at cost (1,285,714 shares)	-	(5,142,856)	(5,142,856)(b)
Noncontrolling interests	15,199,434	13,141,264	(2,058,170)(f)

(a) Decrease Goodwill $7,201,025 related to treasury stock treatment of our common stock held by VIE Lani Pixels and foreign currency translation adjustment
(b) Decrease Treasury stock $5,142,856 equal to the value of our common stock held by our VIE Lani Pixels
(c) Decrease Accounts payable $951,835 related to reclassification of related party debt
(d) Decrease Other payables and accrued liabilities $1,176,487 related to reclassification of related party debt
(e) Increase Amounts due to related parties $2,128,322 related to reclassification of related party debt
(f) Decrease Noncontrolling interests $2,058,170 related to adjusted fair value assumptions

In addition, the Company has reclassified certain accounts payable and other liabilities totaling to $2,128,322 to dues to related parties.

	Three Months Ended December 31, 2016		
	As Originally Reported	**As Adjusted**	**Effect of Change**
NET LOSS PER SHARE - Basic and diluted			
Loss from continuing operations	$ (0.16)	$ (0.16)	$ -
Loss from discontinued operations	$ -	$ -	$ -
Net loss attributable to Ominto, Inc.	$ (0.17)	$ (0.17)	$ -
WEIGHTED AVERAGE SHARES OUTSTANDING			
Basic and diluted	14,528,550	14,276,997	(251,553)(a)

The previously reported purchase price of $10,281,284 underwent a change and the adjusted purchase price is $5,075,428 representing a decrease of $5,142,856 due to treasury stock mentioned above. The net cash inflow arising out of the said purchase also underwent a change from $25,251 as previously reported to $683,401 representing an increase of $658,150.

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

Cautionary Statement Regarding Forward-Looking Statements

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

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

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

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

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

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- *our inability to 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.*

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

Introduction

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

Overview

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

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

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

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

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

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

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

Trends in Our Business

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

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

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

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

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

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

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

Results of Operations

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

Consolidated Results

Net loss attributable to Ominto increased approximately $281,000 from approximately $2.0 million during the three months ended December 31, 2015 to approximately $2.4 million during the three months ended December 31, 2016. Although total revenues increased approximately $440,000, selling, general and administrative expenses increased approximately $500,000, cost of revenues increased approximately $67,000 and other income (expense) net decreased approximately $294,000.

Continuing Operations

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

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

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

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

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

Selling, general and administrative *(All amounts in $ thousands)*	**For the three months ended December 31, 2016**	**2015**	**Change**
Advertising and marketing costs	$ 205	$ 20	$ 185
Depreciation and amortization	114	19	95
Outside service fees	1,736	975	761
Payroll costs	1,210	2,287	(1,077)
Rent and office expenses	878	143	735
Banking and processing fees	775	202	573
Foreign exchange	(803)	(35)	(768)
Travel expenses and others	181	188	(7)
Total	$ 4,296	$ 3,799	$ 497

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

For the three months ended December 31 we recognized a foreign exchange gain on transactions is included in our selling, general, and administrative expenses of approximately $800,000 and $35,000 in 2016 and 2015 respectively.

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

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

Segment reporting

We have two reportable segments: (i) E-Commerce cashback and network marketing which includes business license fees, membership subscription fees, commission income, and, advertising and marketing programs; and (ii) Animated movie production revenue. For additional information and analysis of our segments, refer *to Note 16, Segment Reporting* in the Notes to Financial Statements.

Foreign Currency Translation Adjustment

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

During the three months ended December 31, 2016, we recognized a gain on translation of approximately $561,000 as compared to $199,000 for the three months ended December 31, 2015.

Liquidity and Capital Resources

Liquidity

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

Our stockholders' deficit of approximately $7.5 million at September 30, 2016 improved to stockholder's equity of approximately $1.5 million at December 31, 2016 as a result of our private placement sale of common stock totaling approximately $2.1 million and our financing of the acquisition of 40.02% interest in Lani Pixels and our investment in 18.75% of the common stock of Quant Systems, Inc. through issuances of our common stock totaling approximately $12.9 million.

We had a working capital (defined as current assets less current liabilities) deficit of approximately $14.3 million as of December 31, 2016.

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

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

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

We used net cash flows from investing activities of approximately $2.5 million during the three months ended December 31, 2016 due to the purchase of a $2.0 million debenture prior to the acquisition of Lani Pixels and $500,000 of loan to Lani Pixels. We used cash flows from investing activities of approximately $375,000 for capital expenditures during the three months ended December 31, 2015.

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

Non-U.S. GAAP Financial Measures

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.

Current liabilities include $21.3 million of deferred subscription fee revenue and $4.6 million of deferred advertising revenue which are amortized over a twelve-month period and represent about $2.2 million of revenue per month. Current assets include deferred costs of $13.4 million which are being amortized over a twelve-month period and represent about $1.1 million of expense per month. Excluding deferred costs from current assets and deferred subscription fee revenue and deferred advertising revenue from current liabilities, we had an adjusted working capital deficit of approximately $1,900,000 at December 31, 2016.

Debt

As described in the Note 10, *Debt* in the Notes to Financial Statements, Lani Pixels owes $1,857,834 of a senior secured term Debenture bond ("Debenture"); the net proceeds of which are being used to finance the production of an animated feature film and to pay any fees associated with this offering. The Debenture has a coupon of 5% per annum, payable semi-annually and a running fee that entitles the holder to 3% of the gross revenues from July 1, 2017 to and including December 31, 2025, paid semi-annually on April 12, 2019 for the preceding semi-annual period from July 1 through December 31. The Debenture matures on February 12, 2026 and has a call option under which the principal amount may be redeemed in whole from April 12, 2019 or on any consecutive coupon date thereafter. Lani Pixels is not in compliance with certain covenants in the Debenture. Therefore, the debt is currently in default and callable and is classified in current liabilities in the accompanying balance sheet at December 31, 2016.

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

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

Cash in Foreign Subsidiaries

We have significant operations outside the United States. As a result, cash generated by and used in our foreign operations is used only in amounts sufficient to pay general and administrative expenses in the U.S., or to fund certain US operational costs. As of December 31, 2016, we held approximately $11.0 million of unrestricted and approximately $2.5 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 November 2016, the FASB issued Accounting Standard Update ("ASU") 2016-18 *, Statement of Cash Flows – Restricted Cash (Topic 230): Restricted Cash (* "ASU 2016-18"), which reduces the diversity in the treatment of Restricted cash in the Statement of Cash Flows. This ASU requires that restricted cash and restricted cash equivalents be included with unrestricted cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash and cash equivalents. Public business entities are required to adopt this ASU for fiscal years beginning after December 15, 2017, with other entities adopting it for fiscal years beginning after December 15, 2018. Early adoption is permitted. Currently the Company separates restricted cash and cash equivalents from its unrestricted cash and cash equivalents when reconciling the beginning and end of period total cash and cash equivalents and only reports the net change in restricted cash and cash equivalents in the statement of cash flows. In future, the Company's sources and uses of restricted cash and cash equivalents will be combined with its sources and uses of unrestricted cash and cash equivalents in the statement of cash flows. The Company does not expect the adoption of this ASU to have a material effect on its statement of cash flows.

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

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

As previously reported in our annual report Form 10-K for the year ended September 30, 2016, as a result of our principal executive officer's and principal financial officer's assessment of the effectiveness of our internal control over financial reporting as of September 30, 2016, we identified material weaknesses in internal control over financial reporting as of September 30, 2016. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. These material weaknesses had not been remediated as of December 31, 2016.

In connection with the preparation of this report, under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, conducted an evaluation of the effectiveness of our internal control over financial reporting and noted the following control deficiency that constituted a material weakness:

We did not design and maintain effective controls to ensure that appropriate adjustments associated with non-routine events were identified to mitigate the event of a misstatement.

This material weakness resulted in the restatement of our interim financial statements as of December 31, 2016.

Remediation Plans

To address the identified material weakness discussed in our annual report on Form 10-K for the fiscal year ended September 30, 2016, we have taken the following measures. beginning during the first quarter of our 2017 fiscal year. Management believes that there have been significant improvements in the level of internal control but is aware that there are still unaddressed risks to date. Consistent with the Sarbanes Oxley framework, we are engaged in the process of completing and documenting each of the Company's key information technology and business processes necessary to improve our internal controls. We have undertaken this assessment and have made an initial determination of our significant processes. We are currently engaged in the next step in this process which is to document these significant processes and design key controls for each process.

1. Continued to improve work flow and enhance internal controls. Management has recognized the need for documented policies and procedures and established such documents outlining processes, procedures, levels of authorization and approval, and other transactional related requirements in order to be disseminated for accountability and oversight. Management is also aware that the entity will need to review its policies and procedures periodically to determine whether they continue to be appropriate for the entity's activities and refresh them when needed.

2. We continue to take remedial measures to correct our internal control deficiencies and decided to devote significant resources to improving our internal controls. We have added four (4) full time positions in our accounting department which we believe will continue to improve internal controls. With the additional staff, we will be able to focus on providing additional training, as well as provide adequate time for our staff to complete the control procedures which have been or will be assigned to them.

    (1) We hired a new Interim CFO and additional qualified and experienced finance department personnel to enhance period end financial close and reporting

    (2) We hired a Senior Manager of SEC and Financial Reporting

    (3) We hired a Director of Compliance to evaluate and implement corrective action on our material weaknesses;

    (4) Currently in the process of recruiting a Vice President of Information Technology to oversee and implement proper internal control over IT and our business operating systems.

    (5) Will also continue the reorganization of our finance, accounting and other support staff to improve work flow and enhance internal controls;

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

Control Environment

(a) Implemented a whistle-blower program and are in the process of implementing other programs to identify and manage fraud risks;

(b) Formalized job descriptions have been developed for all finance and accounting personnel that specifically: (i) identify required financial reporting roles, responsibilities, and necessary competencies; and (ii) clarify responsibilities for maintaining our internal controls over financial information; and

(c) Increased the utilization of the features and controls provided in our Enterprise Resource Planning ("ERP") system and reduced the use of spreadsheets.

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

(a) We continue to review and update our policies and procedures with respect to the review, supervision and monitoring of our accounting operations;

(b) We are completing a risk assessment process in order to improve our monitoring function in conjunction with our ERP system; and

(c) We are developing forecasts and plans by which our Management can measure achievement against formalized benchmarks.

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

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

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

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

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

In addition, the Company sold 225,000 shares of its common stock and recorded a subscription receivable in the amount of $900,000 during the quarter ended December 31, 2016 that is due within 60 days; the proceeds of which are being used for general operating needs and acquisitions (See Note 17, *Subsequent Events* regarding extension of the due date.)

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

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

* Incorporated by reference from the Company’s Quarterly Report on Form 10-Q filed with the SEC on February 14, 2017

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.

	Ominto, Inc.
Date: November 14, 2017	By: /s/ Michael Hansen
	Michael Hansen Chief Executive Officer (Principal Executive Officer)
	Ominto, Inc.
Date: November 14, 2017	By: /s/ Raoul Quijada
	Raoul Quijada Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

**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/A 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: November 14, 2017

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

Exhibit 31.2

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/A 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: November 14, 2017

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

Exhibit 32.1

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

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: November 14, 2017

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

Exhibit 32.2

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

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DATE: November 14, 2017

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