PULSE EVOLUTION CORPORATION

OTC Disclosure Statement
for the Quarter ended September 30, 2017

1) Name of the issuer and its predecessors (if any)

Pulse Evolution Corporation was incorporated on May 31, 2013, under the laws of the State of Nevada, under the name QurApps, Inc. Effective May 8, 2014, the Company changed its name to Pulse Evolution Corporation.

2) Address of the issuer's principal executive offices

Principal Office
Pulse Evolution Corporation
11450 SE Dixie Highway
Hobe Sound, FL 33455
Tel: 772-545-9050
Website: www.pulse.co
Email: exec.office@pulse.co

Investor Relations Contact
Jordan Fiksenbaum
Chief Executive Officer
11450 SE Dixie Highway
Hobe Sound, FL 33455
Tel: 772-545-9050
Email: Jordan.Fiksenbaum@pulse.co

3) Security Information

Common Stock
Trading Symbol: PLFX
Exact title and class of securities outstanding: Common
CUSIP: 74586Y102
Par or Stated Value: $0.001
Total shares authorized: 300,000,000 as of: January 31, 2018
Total shares outstanding: 206,553,546 as of: January 31, 2018

Preferred Stock
Trading Symbol: n/a
Exact title and class of securities outstanding: Series A Preferred
CUSIP: n/a
Par or Stated Value: $0.001
Total shares authorized: 100,000,000 as of: January 31, 2018
Total shares outstanding: 31,128,910 as of: January 31, 2018

Transfer Agent
Globex Transfer, LLC
780 Deltona Blvd, Suite 202
Deltona, FL 32725
Tel: 813-344-4490
Fax: 386-267-3124

Is the Transfer Agent registered under the Exchange Act?

Yes

List any restrictions on the transfer of security:

n/a

Describe any trading suspension orders issued by the SEC in the past 12 months.

n/a

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

n/a

4) Issuance History

Issuance History Two Years as of Sep 30, 2017							
	A	B	C	D	E	F	G
Issue Date	**Reason Issued**	**Jurisdiction**	**# of shares offerred**	**# of shares sold**	**Offer Price / Amt Paid**	**Trading Status**	**Restriction noted on share certificate**
7/30/2015	Investor	N/A	199,386	199,386	$0.001	Restricted	Yes
7/30/2015	Investor	N/A	199,386	199,386	$0.001	Restricted	Yes
7/30/2015	Investor	N/A	199,386	199,386	$0.001	Restricted	Yes
1/12/2016	Investor	N/A	5,000,000	5,000,000	$0.678 / $3,387,534	Restricted	Yes
1/12/2016	Investor	N/A	2,380,000	2,380,000	$0.678 / $1,612,466	Restricted	Yes
1/12/2016	Investor	N/A	5,000,000	5,000,000	$0.678 / $3,387,534	Restricted	Yes
1/12/2016	Investor	N/A	2,380,000	2,380,000	$0.678 / $1,612,466	Restricted	Yes
3/27/2016	Merger Consideration	N/A	1,217,500	1,217,500	$0.001	Restricted	Yes
3/27/2016	Merger Consideration	N/A	1,217,500	1,217,500	$0.001	Restricted	Yes
3/27/2016	Merger Consideration	N/A	1,217,500	1,217,500	$0.001	Restricted	Yes
3/27/2016	Merger Consideration	N/A	1,217,500	1,217,500	$0.001	Restricted	Yes
4/27/2016	Investor	N/A	1,000,000	1,000,000	$0.001	Restricted	Yes
4/27/2016	Legal Services	N/A	1,000,000	1,000,000	$0.001	Restricted	Yes

5/2/2016	Employee Stock Plan	N/A	6,000,000	6,000,000	$0.001	Restricted	Yes
7/18/2016	Invest Banking Services	N/A	350,000	350,000	$0.001	Restricted	Yes
7/31/2016	Debt Conversion	N/A	3,348,516	3,348,516	$0.75 / $2,500,000	Restricted	Yes
8/16/2016	Employee Stock Plan	N/A	50000	50000	$0.001	Restricted	Yes
8/29/2016	Employee Stock Plan	N/A	6,000,000	6,000,000	$0.001	Restricted	Yes
10/25/2016	Invest Banking Services	N/A	209,033	209,033	$0.001	Restricted	Yes
10/25/2016	Invest Banking Services	N/A	243,827	243,827	$0.001	Restricted	Yes
10/25/2016	Invest Banking Services	N/A	243,827	243,827	$0.001	Restricted	Yes
11/2/2016	Employee Stock Plan	N/A	75,000	75,000	$0.001	Restricted	Yes
12/19/2016	IR Services	N/A	100,000	100,000	$0.001	Restricted	Yes
12/19/2016	IR Services	N/A	100,000	100,000	$0.001	Restricted	Yes
12/19/2016	IR Services	N/A	100,000	100,000	$0.001	Restricted	Yes
12/19/2016	IR Services	N/A	100,000	100,000	$0.001	Restricted	Yes
12/19/2016	Employee Stock Plan	N/A	300,000	300,000	$0.001	Restricted	Yes
3/2/2017	Executive Producer Services	N/A	6,000,000	6,000,000	$0.001	Restricted	Yes
3/2/2017	Executive Producer Services	N/A	6,000,000	6,000,000	$0.001	Restricted	Yes
5/11/2017	Employee Stock Plan	N/A	250,000	250,000	$0.001	Restricted	Yes
5/11/2017	Employee Stock Plan	N/A	300,000	300,000	$0.001	Restricted	Yes
7/7/2017	Employee Stock Plan	N/A	10,000,000	10,000,000	$0.001	Restricted	Yes

5) Financial Statements

The financial statements of the issuer are attached hereto as Exhibit I.

6) Issuer's Business, Products & Services

A. Description of the issuer's business operations

Pulse Evolution Corporation is a market leader in the emerging virtual human likeness space, and among the most globally recognized developers of hyper-realistic digital humans – computer generated assets that appear to be human and can perform in live shows, virtual reality, augmented reality, holographic, 3D stereoscopic, web, mobile, interactive and artificial intelligence applications.

We believe that digital humans will be ubiquitous in society, culture and industry. In the last decade, as a result of the work of our principal founder, hyper-realistic digital humans have performed in movies, such as The Curious Case of Benjamin Button (2008) and Tron: Legacy (2010), and also on stage such as the virtual performance of a digital Tupac Shakur at the Coachella Valley Music Festival (2012). The Company continued to develop this new form of entertainment through its live television production of Virtual Michael Jackson at the Billboard Music Awards show in 2014. We expect that, in years to come, digital humans will not only perform for audiences on stage and in film, but they will also represent individual consumers as digital likeness avatars, in realistic and fantasy form, appearing and interacting on the consumer's behalf in electronic and mobile communication, social media, video game, virtual reality, and augmented reality.

Our leadership team is currently focused on applications of digital humans in entertainment. We believe the entertainment industry provides us with attractive near-term opportunities to put digital humans to work in proven performance-oriented business models, while also allowing us to use the visibility of our globally recognized celebrities to showcase our digital human technologies and their applications across other industries. Accordingly, our current business plan is to generate revenues from the production and appearance of digital human representations of the world's best-known living and late celebrities in full length entertainment experiences, brand marketing events and digital products.

The Company will continue to focus on the ongoing development of the core digital human technology and also to further develop the digital likeness of Michael Jackson, and other leading celebrities and celebrity estates, with which the Company has contractual or shareholder-based relationships, in anticipation of starting full production of theatrical shows, music concerts and other events. For example, the Company has a long-term digital likeness rights and revenue-share agreement with the estate of Michael Jackson, and the Company also counts the estates of Michael Jackson, Elvis Presley and Marilyn Monroe as significant shareholders.

B. Date and State of Incorporation

Pulse Evolution Corporation was incorporated on May 31, 2013, under the laws of the State of Nevada, under the name QurApps, Inc. Effective May 8, 2014, the Company changed its name to Pulse Evolution Corporation.

C. The issuer's primary and secondary SIC Codes

The primary SIC code is 7372 and the secondary SIC code is 7111

D. The issuer's fiscal year-end date

The fiscal year-end of Pulse Evolution Corporation is June 30.

E. Principal Products or Services, and their Markets

Pulse Evolution Corporation participates in various segments of the media and entertainment industry by virtue of its development of market leading human animation technologies:

Entertainment Technology

We believe the Company has established the world's highest known standard of hyper-realistic human animation with software tools and business know-how that are valuable to the entertainment industry as a whole, even beyond the existing live performance business model of the Company. In the process of developing the digital likeness and related animation content featuring some of the world's leading celebrities, the Company has developed character animation methods and software tools that, if marketed commercially, would be highly attractive to third-party animation and visual effects companies. The Company's founders have direct and relevant experience with the exploitation of 'studio born' VFX compositing technologies, such as NUKE™ that was developed as an in-house software tool, only to be successfully repositioned as marketable software for the animation and visual effects industry, ultimately leading to +80% market share and a software sale valuation of approximately $300 million. We believe the Company's unique character rigging and animation technologies may have similar potential to be developed as a leading suite of animation software tools for the industries of entertainment, games, virtual reality, augmented reality and artificial intelligence.

Media and Entertainment Business

Pulse Entertainment, the Company's wholly owend subsidiary, produced a computer-generated and animated human likeness of the late popular entertainer Michael Jackson that appeared in a live performance at the Billboard Music Awards on May 18, 2014. The virtual performance of Michael Jackson contributed to the award show's highest television viewership in 13 years and an 11-year high in advertising in the demographic of viewers aged 18 to 49. This production reached approximately 11 million television viewers during the initial network broadcast, followed by more than 51 million online views through YouTube and Vevo, more than 2,400 news articles, an estimated 98 billion internet impressions for the Michael Jackson hologram, and more than 300 million internet impressions estimated for Pulse Entertainment and members of its management.

Our media and entertainment business model is focused on participation in intellectual property through the development, production and co-ownership of entertainment properties featuring globally recognized animated virtual performers and through multiyear revenue share relationships with living celebrities and late celebrity estates.

While we intend to fund a portion of our production costs from internal sources, we anticipate that a large portion of these costs will be funded by third parties, including affiliated production companies, associated celebrity estates, corporate sponsors and other entertainment finance vehicles. We believe there is significant interest from third-parties to finance theatrical productions related to our leading celebrity properties. It is our goal to utilize such third-party capital, and joint venture relationships, to reduce the risks associated with our entertainment business model and position our company to be paid, as much as possible, as a celebrity or as a producer.

Artificial Intelligence

We are actively seeking strategic partners and technology licensing relationships with leading developers of artificial intelligence technologies. It is our goal to have our human animation technologies help to develop a "face" of artificial intelligence, to provide a human form to interactive artificially intelligent computer beings that will be common in society, providing useful information and services to people in diverse industries, such as education, health care, telecommunications, defense, transportation and entertainment. We believe the experience and vision of our leadership team, combined with existing and growing business relationships, have positioned the Company to be a pioneer in the development of consumer facing artificial intelligence applications.

7) Issuer's Facilities

The corporate offices of Pulse Evolution Corporation are leased facilities, subject to a commercial lease with an unaffiliated third-party, located at 11450 SE Dixie Highway, Hobe Sound, FL 33455. The lease expires on June 30, 2018, however such lease may be extended at the option of the Company.

8) Officers, Directors and Control Persons

A) The officers of the Company are:
- Jordan Fiksenbaum, CEO / Chairman
- Harley Zhao, Director

B) Legal/Disciplinary History

None

C) Beneficial Shareholders (greater than 10%)

- XIX Entertainment, LLC holds warrants to acquire 36,678,028 coomon shares of PLFX at an exercise price of $1.00 per share, at any time, until expiration of the warrants on January 27, 2023. XIX Entertainment is controlled by Mr. Simon Fuller and is located at 9000 Sunset Boulevard, West Hollywood, CA 90069.

9) Third-party Providers

A) Legal Counsel

Legal & Compliance LLC
330 Clematis Street, Suite 217
West Palm Beach, FL 33401
Phone: 561-514-0936
Email: LAnthony@legalandcompliance.com

B) Auditors

None

C) Investor Relations

None

10) Issuer Certification

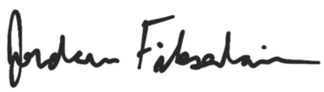
I, Jordan Fiksenbaum, Chief Executive Officer of Pulse Evolution Corporation, certify that:

1. I have reviewed this quarterly disclosure statement of Pulse Evolution Corporation;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

January 31, 2018



Chairman and Chief Executive Officer

PULSE EVOLUTION CORPORATION

Index to the Consolidated Financial Statements for Quarter ended September 30, 2017

PULSE EVOLUTION CORPORATION
Consolidated Balance Sheets
(unaudited)

	Quarter End Sep 30, 2017 Unaudited	Year Ended June 30, 2017 Unaudited
Assets		
Current Assets:		
Cash	$ 10,853	$ (13,355)
Prepaid expenses and other assets	3,314,925	3,304,925
Total current assets	3,325,778	3,291,570
Property and equipment, net	16,970,849	16,976,020
Intangible assets	897,867	1,014,167
Total assets	$ 21,194,494	$ 21,281,757
Liabilities and shareholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 2,951,012	$ 2,912,883
Accrued expenses	4,688,946	4,666,768
Notes payable	4,018,613	3,988,613
Stock based compensation charge	366,780	1,100,340
Total current liabilities	12,025,351	12,668,604
Commitments and contingencies		
Redeemable common stock, ($0.001 par value, 3,800,000 issued and outstanding)	850,000	850,000
Shareholders' Equity (Deficit)		
Series A Convertible Preferred Stock, 100,000,000 shares authorized at par value of $0.001 per share, 31,128,910 and 31,128,910 issued and outstanding at September 30, 2017 and June 30, 2017, respectively	31,129	31,129
Common stock, 300,000,000 shares authorized at par value of $0.001 per share, 196,553,546 and 186,553,546 issued and outstanding at September 30, 2017 and June 30, 2017, respectively	196,554	186,554
Subscription receivable	(1,253)	(1,253)
Treasury Shares	--	--
Stock Options	--	--
Additional paid-in capital	69,838,211	69,838,211
Accumulated deficit	(61,745,498)	(62,291,488)
Total shareholders' equity	8,319,143	7,763,153
Total liabilities and shareholders' equity (deficit)	$ 21,194,494	$ 21,281,757

PULSE EVOLUTION CORPORATION
Consolidated Statement of Operations
(unaudited)

	Quarter End Sep 30, 2017 Unaudited	Year Ended June 30, 2017 Unaudited
Statement of Operations		
Revenues	$ 504,778	$ 1,928,664
Expenses		
Costs and expenses	560,878	8,069,181
Stock-based compensation expense	(733,560)	(27,279,634)
Interest Expense	--	10,236
Depreciation	5,171	20,684
Amortization, intangible assets	116,300	465,200
Total expenses	$ (51,211)	$ (18,714,333)
Net Income (loss)	$ 555,989	$ 20,642,997
Earnings per share	$ 0.00	$ 0.11

PULSE EVOLUTION CORPORATION
Consolidated Statement of Cash Flows
(unaudited)

	June 30, 2017 Unaudited	June 30, 2016 Unaudited
Cash flows from operating activities		
Net Profit/(loss)	$ 20,642,997	$ (62,100,410)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	20,684	12,604
Amortization	465,200	465,200
Share-based compensation expense	(27,279,634)	50,970,656
Changes in operating assets and liabilities:		
Prepaid deposits and other assets	(664,199)	(2,499,527)
Accounts payable	1,927,005	(257,473)
Accrued expenses	2,270,023	733,635
Acquisition of Business	--	(300,000)
Net cash used in operating activities	(2,617,924)	(12,975,315)
Cash flows from investing activities		
Purchase of property and equipment	(53,870)	(32,769)
Net cash used in investing activities	(53,870)	(32,769)
Cash flows from financing activities		
Net proceeds from sales of common stock	3,133,310	8,993,155
Net proceeds from sales of preferred stock	--	12,281
Net proceeds from the sale of convertible securities	--	--
Proceeds of note payable	1,050,000	4,590,000
Repayments of note payable	(2,511,397)	(500,000)
Net cash provided by financing activities	1,671,913	13,095,436
Net (decrease)/increase in cash and cash equivalents	(999,881)	87,352
Cash and cash equivalents, beginning of period	986,526	899,174
Cash and cash equivalents, end of period	$ (13,355)	$ 986,526

NOTE 1. BASIS OF PRESENTATION AND BUSINESS DESCRIPTION

Nature of Business

Pulse Evolution Corporation was incorporated on May 31, 2013, under the laws of the State of Nevada, initially under the name QurApps, Inc. Effective May 15, 2014, the Company changed its name to Pulse Evolution Corporation.

We are a market leader in the emerging virtual human likeness space, and among the most globally recognized developers of hyper-realistic digital humans – computer generated assets that appear to be human and can perform in live shows, virtual reality, augmented reality, holographic, 3D stereoscopic, web, mobile, interactive and artificial intelligence applications.

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Liquidity

The Company operates principally in reliance on its senior management team and its core technology resources, while its production-related talent consists of independent contractors and on-call human resources. Upon commencement of production of a specific concert or theatrical show, the Company would increase its in-house digital artist team to provide animation services related to the performance of the primary celebrity character, such services to be funded by a show-specific production entity that would likely be managed by the Company and funded materially by third-party entertainment production investors. While we intend to fund an initial portion of production costs of a show from internal sources, we expect a large portion of these costs to be funded by such third parties, including affiliated production companies, associated celebrity estates, corporate sponsors and other entertainment finance vehicles. For example, we are currently actively engaged in the planning and pre-production of an entertainment production, featuring one of our leading celebrity relationships, in collaboration with a financially-backed joint venture partner who is funding the project, and who has also funded producer fees to the Company which we have realized as revenues. As we believe that our core competency is centered on the development of technologies, we believe such third-party relationships are financially conservative and strategically sensible.

Our long-term plan to develop, produce and operate full scale productions will require significant direct funding, similar to that of a mid-sized theatrical show. Until we secure production capital and generate revenues, the Company will continue to rely on raising capital to support the development of technology and digital likenesses of its portfolio of celebrities. We believe that full scale shows will require in excess of $25,000,000 of development and operating financing and we plan to fund each of our productions through such joint venture relationships and/or separate production entities, similar to the structures used by movie studios. As we do not, during the development and pre-production stages of our productions, have such 'full production' financing arrangements in place, we intend to continue to operate with a low-headcount, financially conservative model and rely significantly on the operating and financial resources of our joint venture partner(s) to advance our principal production opportunities.

Basis of Presentation and Consolidation

The accompanying consolidated financial statements include the accounts of Pulse Evolution Corporation, its majority owned subsidiary Pulse Entertainment Corporation, and various other various wholly owned production-related subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates based on experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. At September 30, 2017, the Company's cash balances are under the current insured amounts under the Federal Deposit Insurance Corporation.

Allowance for Doubtful Accounts

The Company maintains a policy to record allowances for doubtful accounts for estimated losses resulting from the inability of its customers, lenders or investors to make required payments. If the financial conditions of these customers were to deteriorate and impair their ability to make payments, additional allowances may be required. No allowance for doubtful accounts was necessary at September 30, 2017 and June 30, 2017.

Intangible Assets

Definite-lived intangibles, which are made up of license agreements as described in Note 4 Intangible and Other Assets, are amortized on a straight-line basis over their useful lives. The Company reviews the intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. As of September 30, 2017, the Company has determined that there is no impairment of the intangible assets.

Revenue Recognition

For Production Services, revenue is recognized over each contract period based on percentage of work completed. As the production services are rendered, revenue is recognized.

Production Costs

Production costs consist primarily of amounts due to third-party providers that the Company uses to help create and deliver the Company's digital and live performance productions.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the related asset. Computers are depreciated over five years. Furniture and fixtures are depreciated over seven years.

Segment Reporting

The Company currently operates in only one segment.

Fair Value of Financial Instruments

ASC Topic 820, Fair Value Measurements and Disclosures, establishes a three-level fair value hierarchy that requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data and require the reporting entity to develop its own assumptions.

The carrying amount of prepaid expenses, subscriptions receivable, accounts payable, and accrued expenses approximates fair value due to the short-term nature of these instruments.

Income Taxes

The Company utilizes the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. A valuation allowance is established against deferred tax assets because, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of September 30, 2017, the Company does not believe any material uncertain tax positions are present. Accordingly, interest and penalties have not been accrued due to an uncertain tax position and the fact the Company has reported tax losses since inception.

Stock based Compensation

Accounting Standard Codification ("ASC") 718, "Compensation: Stock Compensation" requires recognition in the financial statements of the cost of employee services received in exchange for an award of equity instruments over the period the employee is required to perform the services in exchange for the award (presumptively the vesting period). The Company measures the cost of employee services received in exchange for an award based on the grant date fair value of the award. The Company accounts for nonemployee share based awards based upon ASC 505-50, "Equity Based Payments to Non Employees." ASC 505-50 requires the costs of goods and services received in exchange for an award of equity instruments to be recognized using the fair value of the goods and services or the fair value of the equity award, whichever is more reliably measurable. The fair value of the equity award is determined on the measurement date, which is the earlier of the date that a performance commitment is reached or the date that performance is complete. Generally, the Company's awards do not entail performance commitments. When an award vests over time such that performance occurs over multiple reporting periods, the Company estimates the fair value of the award as of the end of each reporting period and recognize an appropriate portion of the cost based on the fair value on that date. When the award vests, the Company adjusts the cost previously recognized so that the cost ultimately recognized is equivalent to the fair value on the vesting date, which is presumed to be the date performance is complete.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). The objective of ASU 2014-09 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most of the existing revenue recognition guidance, including industry-specific guidance. The core principle of ASU 2014-09 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying the new guidance, an entity will (1) identify the contract(s) with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the contract's performance obligations; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2014-09 applies to all contracts with customers except those that are within the scope of other topics in the FASB Accounting Standards Codification. Entities have the option of using either a full retrospective or modified approach to adopt ASU 2014-09.

In July 2015, the FASB issued ASU 2015-14, which delayed the effective date of ASU 2014-09. As a result, this guidance will be effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the new guidance, and has not determined the impact this standard may have on the financial statements, nor decided upon the method of adoption.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"). ASU 2014-15 will explicitly require management to assess an entity's ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. Earlier adoption is permitted. The Company is currently evaluating the impact of the adoption of ASU 2014-15.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 840) ("ASU 2016-02"). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, and annual and interim periods thereafter, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact this standard will have on its financial statements.

NOTE 3. PROPERTY & EQUIPMENT

Property and equipment as of Sep 30, 2017 and June 30, 2017 consist of the following

	Sep 30, 2017	June 30, 2017	Useful Life
	$	$	
Computers and other equipment	$3,900	$3,900	5 years
Technology purchased via Acquisition	$16,879,500	$16,879,500	
Furniture and fixtures	$133,994	$133,994	7 years
Total property and equipment, cost	17,017,394	17,017,394	
Less accumulated depreciation	($46,545)	($41,374)	
Total property and equipment, net	$16,970,849	$16,976,020	

On March 27, 2016, the Company entered into a merger agreement with After August, Inc., a California based animation technology company, primarily to acquire ownership of certain technologies and software tools that we believe will support the Company's continuing strategy to be the world's leading developer of hyper-realistic digital humans. The value of this technology of $16.9M has been capitalized but not depreciated as it is being improved significantly.

The Company financed the merger by paying $300,000 in cash at closing, and issued a 3-year, $2,700,000 promissory note with accrued interest, secured specifically by the acquired technology assets, and has issued 4.8 million shares of the Company's common stock that was valued at the trading price of $2.85 on the date of issue on March 27, 2016, for a total equity value of $13.9M. The aggregate value of the acquisition has been assessed at $16.9 million.

NOTE 4. INTANGIBLE AND OTHER ASSETS

In August 2014, the Company entered into a multiyear agreement with Authentic Brands Group ("ABG") to develop for ABG, entertainment projects to utilize a realistic computer-generated image of Elvis Presley. The likeness is intended to be used to create entertainment and branding revenue opportunities for the Company, generated from holographic performances in live shows and commercials. The initial value has been capitalized and is being amortized over the length of the agreement. At Sep 30, 2017, twenty-two months remain unamortized, based on the original agreement. In October 2014, the Company entered into a multiyear agreement with the Estate of Marilyn Monroe, LLC ("the Monroe Estate") to develop for the Monroe Estate entertainment projects to utilize a realistic computer-generated image of Marilyn Monroe. The likeness will be used to create entertainment and branding revenue opportunities for the Company, generated from holographic performances in live shows and commercials. The Monroe Estate holds the likeness, appearance, and publicity rights of Marilyn Monroe. The initial value has been capitalized and is being amortized over the length of the agreement. At June 30, 2017, twenty-four months remain unamortized on the original agreement. The Company is not current with its continuing royalty obligations to ABG and is currently in negotiations with ABG to re-structure such agreements into a form of revenue share agreement which does not require advance, or periodic, fixed payments. The Company has also been advised that ABG has elected to exchange its share ownership in the Company with a company, organized by our principal founder, in a transaction that would result in ABG becoming part of a new control owner of the Company. We believe this will contribute to a favorable outcome in the renegotiations of our principal agreements, and a continuation of our business relationship, with ABG.

Intangible assets as Sep 30, 2017:

	Gross	Accumulated Amortization	Net Value
Licensing Fees: Elvis	976,000	(670,633)	305,367
Licensing Fees: Marilyn	1,350,000	(757,500)	592,500
	2,326,000	**(1,428,133)**	**897,867**

Intangible assets as June 30, 2017:

	Gross	Accumulated Amortization	Net Value
Licensing Fees: Elvis	976,000	(621,833)	354,167
Licensing Fees: Marilyn	1,350,000	(690,000)	660,000
	2,326,000	**(1,311,833)**	**1,014,167**

NOTE 5. ACCRUED LIABILITIES

Accrued liabilities as of Sep 30, 2017 and June 30, 2017 consist of the following:

		30-Sep-17		30-Jun-17
Payroll and payroll related liabilities	$	1,269,775	$	1,269,775
Due to advisor		75,000		75,000
Other accrued expenses		3,294,171		3,321,993
Total accrued expenses		**$4,638,946**		**$4,666,768**

NOTE 6. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

The Company continues to develop digital assets and creative entertainment concepts in connection with its long-term revenue share agreement, relating to the digital likeness of the late Michael Jackson. The Company works closely with its joint venture partner, Michael Williams Production (DigiWorld), in the development of such entertainment properties. The Company currently has no fixed financial obligations associated with these contracts, however, the Company intends to enter into agreements in the future which are likely to result in material fixed obligations.

The Company has entered into a production related contract with ABG. Under the terms of the contract, the Company is required to make an initial payment to the third party as well as commitments to profit sharing requiring minimum future payments to the third party ratably over the next five years beginning at the end of calendar 2015. The future minimum payments due for future profit sharing under the contract are $4,000,000. In January 2016, the Company entered into amendments with Authentic Brands Group to extend the rights of exclusivity for Marilyn Monroe and Elvis Presley through the end of the agreements (December 2021), with multiple 5-year extensions options. The Company has entered into a similar production related contract with ABG and the Estate of Marilyn Monroe. Under the terms of the contract, the Company is required to make an initial payment to the third party as well as commitments to profit sharing requiring minimum future payments to the third party ratably over the next five years beginning at the end of calendar 2015. The future minimum payments due for future profit sharing under the contract are $2,100,000. In July 2016, the Company and its principal producer partner, XIX Entertainment, elected to suspend production of an Elvis Presley related musical and, instead, pursue a different production featuring one of the world’s leading music groups, returning as digital performers, in a world tour. The Company elected to temporarily suspend its Elvis production, discontinue the royalty payments to ABG and enter into amicable negotiations with ABG to re-structure such agreements into a form of revenue share agreement which does not require advance, or periodic, fixed payments. The Company has also been advised that ABG has elected to exchange its share ownership in the Company with a company, organized by our principal founder, in a transaction that would result in ABG becoming part of a new control owner of the Company. We believe this will contribute to a favorable outcome in the renegotiations of our principal agreements, and a continuation of our business relationship, with ABG.

Litigation

On February 7, 2017, One Diversified LLC filed a complaint in the Nineteenth Judicial Circuit Court in Florida (Case # 52177465) alleging a breach of contract by the Company for data storage and technology products it supplied during 2016 and seeking payment of the principal amounts of

$194730.73 plus interest and costs incurred in filing the legal action against the Company. The Company has not accrued for the cost as of June 30, 2016.

In June 2015, the Company entered into an agreement with Darren Bagert Executive Production Company to explore the creation and financing of a theatrical stage production for one of its celebrity estates. The agreement provided for a fee of 1.5% of amounts raised and certain percentage of production profits, with a minimum advance of $150,000 payable, subject to performance, by April 1, 2016, which amount has been accrued. The theatrical stage production did not materialize and the Company is currently in litigation for the performance against this agreement. On July 17, 2017, Darren Bagert Productions LLC filed a petition (Case # 1:17-cv-05391-GHW) in the U.S. District Court for the Southern District of New York to enforce an arbitration award of $524,196 against the Company in connection with the Company's decision to terminate Mr. Bagert as an Executive Producer for a commercial musical stage show owned by the Company, resulting in a default judgment against the Company. The Company has filed a Notice of Appeal, seeking to appeal the Arbitration Award, based on material error by the Arbitrator. The Company has not accrued for the cost as of September 30, 2017.

On November 8, 2017, a group of investors associated with Holotrack AG, a Swiss company whose principals are shareholders of the Company and who have on multiple occasions, in 2016 and 2017, sought control of the Company and its productions, filed a complaint (Case # 2:17-cv-14390) against the Company and its principal officers in the U.S. District Court for the Southern District of Florida (Eleventh Circuit) the nature of such suit, as described by the complaint, alleging fraud in the inducement, against the Company and its principals in connection with the investment by the plaintiffs. The Company believes the lawsuit is a frivolous lawsuit, filed in response to the Company's rejection of the plaintiffs' multiple attempts to gain control of the Company. The Company filed a motion to dismiss the complaint on January 18, 2018. The Company has not accrued for the cost as of September 30, 2017.

NOTE 7. STOCK BASED COMPENSATION CHARGES (INCLUDING WARRANTS)

On January 28, 2016, the Company entered into an agreement with XIX Entertainment and Simon Fuller to be the Executive Producer of the Company's live entertainment productions. The agreement includes a cash payment over the course of the production and a share of the "off the top" profits of the show. In addition, XIX Entertainment was issued a warrant to purchase approximately 36,678,000 shares of Common Stock in the Company at $1 a share, with cashless exercise rights and certain anti-dilution protections. These accounting for these warrants was on a mark-to-market basis and resulted in a gain of $733,560 during the quarter ended September 30, 2017.

NOTE 8. SUBSEQUENT EVENTS

In October 2017, a company affiliated with Mr. John Textor, our former Chairman, issued a public offer, to accredited investors who are holders of our common stock and preferred stock, to purchase a majority interest in the Company, at prices of $0.62 per share for restricted common shares, and equivalents, and $1.10 per share for unrestricted common shares, such consideration proposed to be delivered based on a share exchange between our shareholders and the purchaser. In November 2017, Mr. Textor announced that holders of the Company's common stock, representing more than 50% of the ownership of the Company, had indicated their intent to exchange their shares with the purchaser, indicating a possible change of control of the Company and, potentially, material changes to our board of directors. As of the date hereof, the Company has not been notified that such a change of control has occurred.

In November of 2017, Mr. Peter Voelkle, Chairman of our board of directors, resigned from all director and officer positions at the Company. Pursuant to our Bylaws, based on the vacancy of the Chairmanship of the Company, our Chief Executive Officer is acting Chairman of the Board of the Company as of the date of this filing.