U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under the Securities Exchange Act of 1934

For Quarter Ended: **September 30, 2017**

Commission File Number: **333-191175**

PEERLOGIX, INC.

(Exact name of small business issuer as specified in its charter)

Nevada	**46-4824543**
(State of other jurisdiction of incorporation)	(IRS Employer ID No.)

119 West 24th Street, 4th Floor
New York, New York 10011
(Address of principal executive offices)

(914) 550-9993
(Issuer's Telephone Number)

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 þ No o

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 þ No o

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer	o	Smaller reporting company	þ
(Do not check if a smaller reporting company)		Emerging growth company	þ

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. o

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

The number of shares of the registrant's only class of common stock issued and outstanding as of November 29, 2017, was 44,427,368 shares.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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PEERLOGIX, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

		September 30, 2017		December 31, 2016
		(unaudited)		
ASSETS				
Current assets:				
Cash	$	6,487	$	56,022
Prepaid expenses and other current assets		26,632		46,869
Total current assets		33,119		102,891
Total assets	$	33,119	$	102,891
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable	$	430,740	$	309,763
Accrued payroll and payroll related expenses		351,430		221,838
Accrued directors' fees		80,075		40,075
Other accrued liabilities		349,545		153,186
Demand loans payable		15,000		15,000
Notes payable		–		106,000
Convertible notes payable-related party		41,857		70,000
Convertible notes payable-net of debt discount of $261,975 and $512,014, respectively		1,144,075		88,486
Loans payable-officers		32,426		34,254
Derivative liability		2,301,117		–
Total current liabilities		4,746,265		1,038,602
Total liabilities		4,746,265		1,038,602
Commitments and contingencies				
Stockholders 'deficit:				
Preferred stock, par value $0.001; 10,000,000 shares authorized, no shares issued and outstanding as of September 30, 2017 and December 31, 2016		–		–
Common stock, par value $0.001; 100,000,000 shares authorized; 40,510,658 and 26,860,825 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively		40,511		26,861
Additional paid in capital		3,804,925		2,430,276
Accumulated deficit		(8,558,582)		(3,392,848)
Total stockholders' deficit		(4,713,146)		(935,711)
Total liabilities and stockholders' deficit	$	33,119	$	102,891

See the accompanying notes to the condensed consolidated financial statements

PEERLOGIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	$ –	$ –	$ –	$ –
Operating expenses:				
General and administrative	313,439	170,505	1,411,177	871,395
Total operating expenses	313,439	170,505	1,411,177	871,395
Loss from operations	(313,439)	(170,505)	(1,411,177)	(871,395)
Other income (expense):				
Interest expense	(443,991)	(195,376)	(3,295,812)	(279,256)
Change in fair value of derivative liabilities	(1,016,550)	–	192,361	–
Loss on loan receivable	–	–	(37,500)	–
Loss on extinguishment of debt	(300,634)	–	(613,606)	–
Total other income (expense)	(1,761,175)	(195,376)	(3,754,557)	(279,256)
Net Loss	$ (2,074,614)	$ (365,881)	$ (5,165,734)	$ (1,150,651)
Net loss per common share-basic and diluted	$ (0.05)	$ (0.02)	$ (0.13)	$ (0.05)
Weighted average common shares outstanding-basic and diluted	43,680,599	24,209,278	39,429,659	23,766,323

See accompanying notes to the condensed consolidated financial statements

PEERLOGIX, INC.
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

	Common stock		Additional Paid in	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance, December 31, 2016	26,860,825	$ 26,861	$2,430,276	$ (3,392,848)	$ (935,711)
Common stock issued in connection with convertible notes payable	8,211,333	8,211	(2,239)	–	5,972
Common stock issued in modification of convertible notes payable, related party	218,750	219	12,906	–	13,125
Common stock issued in settlement of payables	500,000	500	57,000	–	57,500
Common stock issued for services	4,719,750	4,720	388,147	–	392,867
Fair value of warrants issued in connection with notes payable	–	–	18,167	–	18,167
Warrants issued in connection with extinguishment of convertible notes payable	–	–	438,858	–	438,858
Reclassify beneficial conversion feature to derivative liability	–	–	(172,036)	–	(172,036)
Reclassify derivative liability to equity upon payoff of convertible notes payable	–	–	48,093	–	48,093
Modification of investor warrants	–	–	37,329	–	37,329
Stock based compensation	–	–	548,424		548,424
Net loss	–	–	–	(5,165,734)	(5,165,734)
Balance, September 30, 2017 (unaudited)	40,510,658	$ 40,511	$3,804,925	$ (8,558,582)	$(4,713,146)

See accompanying notes to the condensed consolidated financial statements

PEERLOGIX, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,165,734)	$ (1,150,651)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	649,787	193,320
Amortization of debt discounts	1,478,920	229,616
Non cash interest	1,479,159	–
Change in fair value of derivative liabilities	(192,361)	–
Loss on loan receivable	37,500	
Loss on extinguishment of debt	613,606	
Expenses paid by officer on behalf of Company	–	31,521
Modification of investor warrants	37,329	29,231
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	7,761	19,335
Accounts payable	120,977	204,506
Accrued payroll and payroll related expenses	129,592	164,874
Accrued director fees	40,000	60,075
Other accrued liabilities	259,329	22,479
Net cash used in operating activities	(504,135)	(195,694)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan to abandoned acquisition target	(37,500)	–
Net cash used in investing activities	(37,500)	–
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the sale of common stock	–	2,000
Proceeds from convertible notes	649,946	161,391
Proceeds from convertible notes-related party	–	70,000
Proceeds from officer loans	11,156	3,515
Proceeds from notes payable	–	130,000
Repayments of notes payable	(106,000)	–
Repayments of notes payable-related party	(50,018)	–
Repayments of officer loans	(12,984)	(22,400)
Net cash provided by financing activities	492,100	344,506
Net change in cash	(49,535)	148,812
Cash-beginning of period	56,022	1,298
Cash-end of period	$ 6,487	$ 150,110
Supplemental disclosures of cash flow information:		
Interest paid	$ 15,670	$ 102
Income taxes paid	$ –	$ –
Supplemental disclosure on non-cash investing and financing activities:		
Debt discount paid in form of common shares and warrants	$ 324,773	$ 163,309
Debt discount recorded on convertible debt accounted for as derivative liabilities	$ 944,024	$ –
Repurchase of beneficial conversion feature due to reassessment of derivative liability	$ 172,036	$ –
Reclassification of derivative liability to equity	$ 48,093	$ –
Debt issuance cost paid in form of common stock and warrants	$ 298,510	$ 67,524
Debt issuance cost accrued	$ 45,077	$ 22,071
Common stock issued in connection with settlement of liabilities	$ 57,500	$ –
Original issue discount on notes payable	$ –	$ 26,250
Original issue discount on convertible notes payable-related party	$ –	$ 17,500
Beneficial conversion feature-convertible note	$ –	$ 120,554
Conversion of promissory note to convertible note	$ –	$ 25,000

See accompanying notes to the condensed consolidated financial statements

NOTE 1 – ORGANIZATION AND OPERATIONS

Peerlogix, Inc. ("Peerlogix" or the "Company") was incorporated in Nevada on February 14, 2014. The Company is an advertising technology and data aggregation company. The Company provides software as a service (SAAS) platform, which enables the tracking and cataloguing of over-the-top viewership and listenership in order to determine consumer trends and preferences based upon media consumption. Its platform collects over-the-top data, including Internet Protocol (IP) addresses of the streaming and downloading parties (location), the name, media type and genre of media watched, listened or downloaded, and utilizes licensed and publicly available demographic and other databases to further filter the collected data to provide insights into consumer preferences to digital advertising firms, product and media companies, entertainment studios and others.

Basis of Presentation - Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and disclosures required by U.S. GAAP for annual financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the condensed consolidated financial position of the Company as of September 30, 2017, the results of operations for the three and nine months ended September 30, 2017 and 2016, and the statement of cash flows for the nine months ended September 30, 2017 and 2016. The results of operations for the three and nine ended September 30, 2017 are not necessarily indicative of the operating results for the full year ending December 31, 2017 or any other period.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related disclosures of the Company as of December 31, 2016 and for the year then ended, which were filed with the Securities and Exchange Commission ("SEC") on Form 10-K on April 17, 2017.

NOTE 2 – GOING CONCERN AND MANGAGEMENT'S LIQUIDITY PLANS

The Company has generated minimal revenues since inception and continues to incur recurring losses from operations and has an accumulated deficit. Accordingly, the accompanying condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has incurred a net loss of approximately $5.2 million and net cash used in operations of approximately $504,000 for the nine months ended September 30, 2017. In addition, the Company has notes payable in default (see Note 7). These conditions indicate that there is substantial doubt about the Company's ability to continue as a going concern within one year from the issuance date of the condensed consolidated financial statements.

The Company's primary source of operating funds since inception has been cash proceeds from the sale of Class A units, common stock and common stock warrants, convertible debentures and notes payable. The ability of the Company to continue as a going concern is dependent upon its ability to further implement its business plan and generate sufficient revenue and its ability to raise additional funds by way of a public or private offering. (See Note 11)

The Company requires immediate capital to remain viable. The Company can give no assurance that such financing will be available on terms advantageous to the Company, or at all. Should the Company not be successful in obtaining the necessary financing to fund its operations, the Company would need to curtail certain or all of its operational activities. There can be no assurance that such a plan will be successful. The accompanying condensed consolidated financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

Accordingly, the accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP, which contemplates continuation of the Company as a going concern and the realization of assets and satisfaction of liabilities in the normal course of business. The carrying amounts of assets and liabilities presented in the consolidated financial statements do not necessarily purport to represent realizable or settlement values. The condensed consolidated financial statements do not include any adjustment that might result from the outcome of this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Peerlogix Technologies, Inc. and IP Squared Technologies Holdings, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. The Company's significant estimates and assumptions include the fair value of the Company's equity instruments, convertible debt, derivative liabilities, stock-based compensation, and the valuation allowance relating to the Company's deferred tax assets.

Reclassifications

Certain prior year amounts in the condensed consolidated financial statements and the notes thereto have been reclassified where necessary to conform to the current year presentation. These reclassifications did not affect the prior period total assets, total liabilities, stockholders' deficit, net loss or net cash used in operating activities.

Convertible Instruments

The Company bifurcates conversion options from their host instruments and account for them as free standing derivative financial instruments according to certain criteria. The criteria includes circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule when the host instrument is deemed to be conventional as that term is described under applicable U.S. GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred shares.

Accounting for Warrants

The Company classifies as equity any contracts that (i) require physical settlement or net-share settlement or (ii) gives the Company a choice of net-cash settlement or settlement in its own shares (physical settlement or net-share settlement). The Company classifies as assets or liabilities any contracts that (i) require net-cash settlement (including a requirement to net-cash settle the contract if an event occurs and if that event is outside the control of the Company) or (ii) gives the counterparty a choice of net-cash settlement or settlement in shares (physical settlement or net-share settlement).

The Company assessed the classification of its common stock purchase warrants as of the date of each equity offering and determined that such instruments met the criteria for equity classification, as the settlement terms indicate that the instruments are indexed to the entity's underlying stock.

Net Loss Per Share

Basic loss per share was computed using the weighted average number of outstanding common shares. Diluted earnings per share, when presented, includes the effect of dilutive common stock equivalents from the assumed exercise of options, warrants, convertible preferred stock and convertible notes. Common stock equivalents are excluded in the computation of diluted earnings per share since their inclusion would be anti-dilutive.

Total shares issuable upon the exercise of warrants, exercise of stock options and conversion of convertible promissory notes for the nine months ended September 30, 2017 and 2016 were as follows:

	September 30,	
	2017	**2016**
Warrants	29,417,871	5,051,670
Stock options	19,300,000	12,300,000
Convertible promissory notes and accrued interest	32,356,837	5,250,000
Total	81,074,708	22,601,670

For the three and nine months ended September 30, 2017, 3,169,941 warrants were included in basic and diluted loss per share as their exercise price was determined to be nominal.

Derivative Liabilities

In connection with the issuance of certain convertible promissory notes, the terms of the convertible notes included an embedded conversion feature; which provided for the settlement of certain convertible promissory notes into shares of common stock at a rate which was determined to be variable with no floor. The Company determined that the conversion feature was an embedded derivative instrument pursuant to ASC 815 “Derivatives and Hedging”

The accounting treatment of derivative financial instruments requires that the Company record the conversion option and related warrants, if applicable, at their fair values as of the inception date of the agreements and at fair value as of each subsequent balance sheet date. As a result of entering into certain convertible promissory notes, the Company is required to classify all other non-employee warrants as derivative liabilities and record them at their fair values at each balance sheet date because the Company could not determine it has enough authorized shares to settle the contracts. Any change in fair value was recorded as a change in the fair value of derivative liabilities for each reporting period at each balance sheet date. The Company reassesses the classification at each balance sheet date. If the classification changes as a result of events during the period, the contract is reclassified as of the date of the event that caused the reclassification.

The fair value of conversion options that are convertible at a variable conversion price are required to be valued using a Binomial Lattice Model. The Company determined the fair value of the conversion option using either the Black-Scholes Valuation Model or the Binomial Lattice Model to be materially the same.

The Black-Scholes Valuation Model is used to estimate the fair value of the warrants and conversion option. The model includes subjective input assumptions that can materially affect the fair value estimates. The model was developed for use in estimating the fair value of traded options or warrants. The expected volatility is estimated based on the most recent historical period of time equal to the weighted average life of the instrument granted.

The principal assumptions used in applying the Black-Scholes model were as follows:

	For the Three and Nine Months Ended September 30, 2017
Assumptions:	
Risk-free interest rate	0.52 - 1.24%
Expected life	0.02 - 4.00 years
Expected volatility	200% - 353%
Dividends	0.0%

At any given time, certain of the Company's embedded conversion features on debt and outstanding warrants may be treated as derivative liabilities for accounting purposes under ASC 815-40 due to insufficient authorized shares to settle these outstanding contracts. Pursuant to SEC staff guidance that permits a sequencing approach based on the use of ASC 840-15-25 which provides guidance for contracts that permit partial net share settlement. The sequencing approach may be applied in one of two ways: contracts may be evaluated based on (1) earliest issuance date or (2) latest maturity date. Pursuant to the sequencing approach, the Company evaluates its contracts based upon the latest maturity date.

Fair Value of Financial Instruments

The carrying amounts of cash, accounts payable, and accrued liabilities approximate fair value due to the short-term nature of these instruments.

The Company measures the fair value of financial assets and liabilities based on the guidance of ASC 820 "Fair Value Measurements and Disclosures" which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3 Pricing inputs that are generally unobservable inputs and not corroborated by market data.

Level 3 liabilities are valued using unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the warrant liabilities. For fair value measurements categorized within Level 3 of the fair value hierarchy, the Company's Chief Financial Officer determines its valuation policies and procedures.

The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's Chief Financial Officer.

Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

Financial assets and liabilities measured at fair value on a recurring basis are summarized below and disclosed on the balance sheets as follows:

September 30, 2017		**Fair Value Measurement Using**			
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative conversion features	$ 2,301,117	$ –	$ –	$ 2,301,117	$ 2,301,117

The table below provides a summary of the changes in fair value, including net transfers in and/or out, of all financial assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the nine months ended September 30, 2017:

	Fair Value Measurement Using Level 3 Inputs Total
Balance, December 31, 2016	$ –
Issuances, reassessments and settlements	2,541,571
Reclassification of derivative liability to equity	(48,093)
Change in fair value	(192,361)
Balance, September 30, 2017	$ 2,301,117

Changes in the unobservable input values could potentially cause material changes in the fair value of the Company's Level 3 financial instruments. The significant unobservable inputs used in the fair value measurements are the expected volatility assumption. A significant increase (decrease) in the expected volatility assumption could potentially result in a higher (lower) fair value measurement.

Recently Adopted Accounting Guidance

In March 2016, the FASB issued ASU No. 2016-06, "Derivatives and Hedging" (Topic 815). The FASB issued this update to clarify the requirements for assessing whether contingent call (put) options that can accelerate the payment of principal on debt instruments are clearly and closely related to their debt hosts. An entity performing the assessment under the amendments in this update is required to assess the embedded call (put) options solely in accordance with the four-step decision sequence. The updated guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption of the update is permitted. The Company adopted the provisions of ASU 2016-06 on January 1, 2017. The adoption of ASU 2016-06 did not materially impact its condensed consolidated financial position, results of operations or cash flows.

In April 2016, the FASB issued ASU No. 2016-09, "Compensation – Stock Compensation" (Topic 718). The FASB issued this update to improve the accounting for employee share-based payments and affect all organizations that issue share-based payment awards to their employees. Several aspects of the accounting for share-based payment award transactions are simplified, including: (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The updated guidance is effective for annual periods beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption of the update is permitted. The Company adopted the provisions of ASU 2016-09 on January 1, 2017. The adoption of ASU 2016-09 did not materially impact the Company's condensed consolidated financial position, results of operations or cash flows.

Recently Issued Accounting Guidance

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation" (Topic 718): Scope of Modification Accounting. The amendments provide guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718 Compensation-Stock Compensation. An entity should account for the effects of a modification unless all the following are met: 1. The fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification. 2. The vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified. 3. The classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The ASU is effective for all entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period. The Company is currently assessing the impact that this standard will have on its condensed consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, “Earnings Per Share” (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception. Part I of this update addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. Part II of this update addresses the difficulty of navigating Topic 480, Distinguishing Liabilities from Equity, because of the existence of extensive pending content in the FASB Accounting Standards Codification. For public business entities, the amendments in Part I of this update are effective for fiscal years, and years, beginning after December 15, 2018. Early adoption is permitted for all entities, including adoption in an interim period. The Company is currently assessing the impact that this standard will have on its condensed consolidated financial statements.

There were no other new accounting pronouncements that were issued or became effective since the issuance of the Company’s 2016 Annual Report on Form 10-K that had, or are expected to have, a material impact on its condensed consolidated financial position, results of operations or cash flows.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the condensed consolidated financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the condensed consolidated financial statements, except as disclosed.

NOTE 4 – LOAN RECEIVABLE

During February 2017, the Company loaned $37,500 to a potential merger candidate, for working capital purposes. In March 2017, the Company withdrew its plan of merger and recorded an allowance for loan losses of $37,500 due to the loan deemed uncollectible.

NOTE 5 – NOTES PAYABLE

During the nine months ended September 30, 2017, the Company repaid $106,000 in principal along with outstanding accrued interest of $12,687 on a promissory note which was previously in default. The outstanding principal balance on the note at September 30, 2017 and December 31, 2016 was $0 and $106,000, respectively.

NOTE 6 – CONVERTIBLE NOTES PAYABLE

Unsecured Convertible Notes

a) Offering 3

During the nine months ended September 30, 2017, the Company sold $225,000 of Units to investors (“Offering 3”). Each Unit was sold at a price of $10,000 per Unit and consisted of one (1) six (6) month, 18% convertible promissory note (36% on an annual basis) with a face value of $10,000 (the “Offering 3 Notes”) and four year warrants exercisable for an aggregate number of shares of common stock equal to 50% of the shares of common stock into which the Note is initially convertible, exercisable at a price of $0.10 per share. The Offering 3 Notes are due six months after the issuance of each note, as amended.

Each of the Notes will be convertible at an initial price equal to $0.06 per share. In addition, during the two month period commencing on each issuance of the Offering 3 Notes, as amended, the Notes will contain a look-back provision pursuant to which the Notes will be convertible at the lower of $0.06 or the lowest volume weighted average price of the Company’s common stock (the “VWAP”) during any 10 day period during such two (2) month period, provided however, in the event that the VWAP during any such ten (10) day period is less than $0.06, then the reset conversion price of the Notes shall be no lower than $0.03. The Notes also contain a reset provision to the same price as any future offering in the next three (3) years in the event that the conversion or offering price of securities offered in such subsequent offering is less than the Conversion Price of the Notes in this Offering.

The conversion feature of the Offering 3 Notes issued during 2016 was accounted for in the previous year initially as equity. The Company concluded the conversion feature of the Notes did not qualify as a derivative because there was no market mechanism for net settlement and they were not readily convertible to cash.

The Company reassessed the conversion feature of the Offering 3 Notes issued during 2016 for derivative treatment during January 2017 and concluded its shares were readily convertible to cash based on the current trading volume of the Company's stock. Due to the fact that these convertible notes have an option to convert at a variable amount, they are subject to derivative liability treatment.

The Company has applied ASC 815, due to the potential for settlement in a variable quantity of shares. The conversion feature has been measured at fair value using a Black Scholes and Binomial model at the reassessment date and the period end. The conversion feature, when reassessed, gave rise to a derivative liability of $1,526,300. In accordance with ASC 815, $129,434 was charged to paid in-capital due to the fact a beneficial conversion feature was recorded on the original issue date. In addition the Company recorded a debt discount to the Notes of $90,153 relating to the fair value of the conversion option. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

The conversion feature of new Notes issued during the nine months ended September 30, 2017, gave rise to a derivative liability of $431,800. The gross proceeds from the sale of the Notes were recorded net of a discount of $219,200. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

In addition, to the extent that any investor that acquires Units in this Offering had previously acquired securities issued by the Company or its subsidiary in one of the two prior private offerings placed by the Placement Agent (each a "Prior Offering"), which collectively raised gross proceeds of $1,510,000 (each an "Existing Investor"), the Company has agreed to provide additional consideration to each such Existing Investor as follows: (i) if the Existing Investor acquires Units in this Offering in an amount equal to fifty percent (50%) or greater than the amount the Existing Investor invested in a Prior Offering, such Existing Investor will receive (a) an additional 7.33 shares, as amended, (if the investor invested in the first Prior offering) or 9 shares, as amended, of the Company's common stock (if the investor invested in the second Prior Offering) (each "Incentive Shares"); and (b) the exercise price of each of the warrants purchased by the Existing Investor will be reduced from $0.60 per share (if the investor invested in the first Prior Offering) or $0.72 per share (if the investor invested in the second Prior Offering) to $0.10 per share (the "Incentive Warrant Price Reduction"); and (ii) if the Existing Investor acquires Units in this Offering in an amount equal to less than fifty percent (50%) of the amount the Existing Investor invested in a Prior Offering, such Existing Investor will receive a pro-rata number of Incentive Shares and Incentive Warrant Price Reduction on only a pro-rata portion of the warrants acquired by the Existing Investor in the Prior Offering.

During the nine months ended September 30, 2017, the Company issued investors who invested in prior offerings 4,478,334 shares of common stock and reduced the exercise price of 520,750 warrants as per the terms above. The incentive shares were recorded as a debt discount on the date of issuance based on the relative fair value of the shares. Upon modification, it is required to analyze the fair value of the instruments, before and after the modification, recognizing the increase as a charge to the statement of operations. The Company computed the fair value of the warrants directly preceding the modification and compared the fair value to that of the modified warrants with new terms. The Company recorded the increased value of the warrants of $27,606 to interest expense with an offsetting entry to additional paid in capital on the date of the modification.

The Company will have the ability to extend the Notes for an additional six (6) months (the "Extended Term") and if so extended shall be referred to herein as the "Extended Notes". The Extended Notes, upon maturity, will pay interest at a six (6) month rate of 18% (36% annualized) at the termination of the Extended Term. The Extended Notes, to the extent extended pursuant to their terms for the Extended Term, will carry an additional 50% warrant coverage (e.g. such warrant to be exercisable for an additional 50% of the number of shares into which the Extended Note is initially convertible (the "Extended Warrants"). The Extended Warrants shall be exercisable at a price equal to $0.10. The Extended Warrants will expire four (4) years from the Extended Term and shall contain customary anti-dilution rights (for stock splits, stock dividends and sales of substantially all the Company's assets) and the shares underlying the Extended Warrants will contain registration rights.

The Company recorded a $5,450 debt discount relating to 4,478,334 shares of common stock and 1,875,004 warrants issued to investors based on the relative fair value of each equity instrument after reducing Note proceeds by the fair value of the derivative liability on the dates of issuance. The debt discount is being accreted over the life of the Notes to interest expense. Debt discount in excess of the face of the Notes was recorded directly to interest expense on the date of issuance.

As part of the transaction, the Company incurred placement agent fees based on the aggregate gross proceeds raised during the nine months ended September 30, 2017, or $41,139, which were recorded as debt issuance costs. During the nine months ended September 30, 2017, the Company issued the placement agent 819,750 common shares with a fair value of $126,287 and 375,001 warrants (See Note 11) with a fair value of $48,824 which were recorded as debt issuance costs. The placement agent warrants have an exercise price of $0.001 per share, have a seven (7) year term and vest immediately. Debt issuance costs in excess of the net face amount of the Notes, after subtracting the debt discount, was recorded directly to interest expense on the date of issuance.

Amendment

On June 30, 2017, the Company entered into an amendment to the Offering 3 Notes. The Offering 3 Notes were modified as follows:

- The Offering 3 Notes are due six months after the issuance of each note;
- The VWAP look back period commences on each issuance of the Offering 3 Notes;
- Extended the term of certain Offering 3 Notes for an additional six month period.

All remaining terms of the Offering 3 Notes remained the same.

As a result of the amendment certain Notes became due and the Company automatically extended the Notes for an additional six months as per the terms of the original Note agreements. As consideration for the note extensions, the Company issued certain note holders 8,629,164 Extended Warrants with a fair value of $438,858 during the nine months ended September 30, 2017.

In accordance with ASC 470, since the present value of the cash flows under the new debt instrument was at least ten percent different from the present value of the remaining cash flows under the terms of the original debt instrument, the Company accounted for the amendment to the Offering 3 Notes as a debt extinguishment. Accordingly, the Company wrote off the remaining debt discount on the original Offering 3 Notes of $122,436. The Company recorded a loss on extinguishment of debt of $561,294 in the September 30, 2017 condensed consolidated statement of operations.

The outstanding principal balance on the Offering 3 Notes at September 30, 2017 and December 31, 2016 was $825,500 and $600,500.

b) Offering 4

During the nine months ended September 30, 2017, the Company sold $439,550 of Units to investors ("Offering 4"). Each Unit was sold at a price of $10,000 per Unit and consisted of one (1) six (6) month, 18% convertible promissory note (36% on an annual basis) with a face value of $10,000 (the "Offering 4 Notes") and four year warrants exercisable for an aggregate number of shares of common stock equal to 50% of the shares of common stock into which the Offering 4 Note is initially convertible, exercisable at a price of $0.06 per share. The Offering 4 Notes are due six months after the issuance of each note.

Each of the Offering 4 Notes will be convertible at an initial price equal to $0.06 per share. In addition, during the two month period commencing on each issuance of the Offering 4 Notes, the Offering 4 Notes will contain a look-back provision pursuant to which the Offering 4 Notes will be convertible at the lower of $0.06 or the lowest volume weighted average price of the Company's common stock during any 10 day period during such two (2) month period, provided however, in the event that the VWAP during any such ten (10) day period is less than $0.06, then the reset conversion price of the Offering 4 Notes shall be no lower than $0.03. The Offering 4 Notes also contain a reset provision to the same price as any future offering in the next three (3) years in the event that the conversion or offering price of securities offered in such subsequent offering is less than the Conversion Price of the Notes in Offering 4.

Since these convertible notes have an option to convert at a variable amount, they are subject to derivative liability treatment. The Company has applied ASC 815, due to the potential for settlement in a variable quantity of shares. The conversion feature has been measured at fair value using a Black Scholes and Binomial model at the issuance date and the period end. The conversion feature of the Offering 4 Notes issued during the nine months ended September 30, 2017, gave rise to a derivative liability of $434,028. The gross proceeds from the sale of the Offering 4 Notes were recorded net of a discount of $408,600. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

In addition, to the extent that any investor that acquires Units in Offering 4 had previously acquired securities issued by the Company or its subsidiary in one of the two prior private offerings placed by the Placement Agent, which collectively raised gross proceeds of $1,510,000, the Company has agreed to provide additional consideration to each such Existing Investor as follows: (i) if the Existing Investor acquires Units in this Offering in an amount equal to fifty percent (50%) or greater than the amount the Existing Investor invested in a Prior Offering, such Existing Investor will receive (a) an additional 7.33 shares, as amended, (if the investor invested in the first Prior offering) or 9 shares, as amended, of the Company's common stock (if the investor invested in the second Prior Offering) (each "Incentive Shares"); and (b) the exercise price of each of the warrants purchased by the Existing Investor will be reduced from $0.60 per share (if the investor invested in the first Prior Offering) or $0.72 per share (if the investor invested in the second Prior Offering) to $0.10 per share; and (ii) if the Existing Investor acquires Units in Offering 4 in an amount equal to less than fifty percent (50%) of the amount the Existing Investor invested in a Prior Offering, such Existing Investor will receive a pro-rata number of Incentive Shares and Incentive Warrant Price Reduction on only a pro-rata portion of the warrants acquired by the Existing Investor in the Prior Offering.

During the nine months ended September 30, 2017, the Company issued investors who invested in prior offerings 3,733,000 shares of common stock and reduced the exercise price of 433,333 warrants as per the terms above. The incentive shares were recorded as a debt discount on the date of issuance based on the relative fair value of the shares. Upon modification, it is required under ASC 480 to analyze the fair value of the instruments, before and after the modification, recognizing the increase as a charge to the statement of operations. The Company computed the fair value of the warrants directly preceding the modification and compared the fair value to that of the modified warrants with new terms. The Company recorded the increased value of the warrants of $9,723 to interest expense with an offsetting entry to additional paid in capital on the date of the modification.

The Company will have the ability to extend the Notes for an additional six (6) months (the "Offering 4 Extended Term") and if so extended shall be referred to herein as the "Offering 4 Extended Notes". The Extended 4 Notes, upon maturity, will pay interest at a six (6) month rate of 18% (36% annualized) at the termination of the Offering 4 Extended Term. The Offering 4 Extended Notes, to the extent extended pursuant to their terms for the Offering 4 Extended Term, will carry an additional 50% warrant coverage (e.g. such warrant to be exercisable for an additional 50% of the number of shares into which the Offering 4 Extended Note is initially convertible (the "Offering 4 Extended Warrants"). The Offering 4 Extended Warrants shall be exercisable at a price equal to $0.10. The Offering 4 Extended Warrants will expire four (4) years from the Offering 4 Extended Term and shall contain customary anti-dilution rights (for stock splits, stock dividends and sales of substantially all the Company's assets) and the shares underlying the Offering 4 Extended Warrants will contain registration rights.

The Company recorded an $18,689 debt discount relating to 3,733,000 shares of common stock and 3,404,588 warrants issued to investors based on the relative fair value of each equity instrument after reducing Offering 4 Note proceeds by the fair value of the derivative liability on the dates of issuance. The debt discount is being accreted over the life of the Offering 4 Notes to interest expense. Debt discount in excess of the face of the Offering 4 Notes was recorded directly to interest expense on the date of issuance.

As part of the transaction, the Company incurred placement agent fees based on the aggregate gross proceeds raised during the nine months ended September 30, 2017, or $85,931, which were recorded as debt issuance costs. During the nine months ended September 30, 2017, the Company issued the placement agent 1,744,105 warrants (See Note 10) with a fair value of $130,837 which were recorded as debt issuance costs. The placement agent warrants have an exercise price of $0.001 per share, have a seven (7) year term and vest immediately. Debt issuance costs in excess of the net face amount of the Notes, after subtracting the debt discount, was recorded directly to interest expense on the date of issuance.

The outstanding principal balance on the Offering 4 Notes at September 30, 2017 was $439,550.

c) Offering 5

During the nine months ended September 30, 2017, the Company sold $141,000 of Units to investors ("Offering 5"). Each Unit was sold at a price of $10,000 per Unit and consisted of one (1) six (6) month, 18% convertible promissory note (36% on an annual basis) with a face value of $10,000 (the "Offering 4 Notes") and four year warrants exercisable for an aggregate number of shares of common stock equal to 50% of the shares of common stock into which the Offering 5 Note is initially convertible, exercisable at a price of $0.06 per share. The Offering 5 Notes are due six months after the issuance of each note.

Each of the Offering 5 Notes will be convertible at an initial price equal to $0.06 per share. In addition, during the two month period commencing on each issuance of the Offering 5 Notes, the Offering 5 Notes will contain a look-back provision pursuant to which the Offering 5 Notes will be convertible at the lower of $0.06 or the lowest volume weighted average price of the Company's common stock (the "VWAP") during any 10 day period during such two (2) month period, provided however, in the event that the VWAP during any such ten (10) day period is less than $0.06, then the reset conversion price of the Offering 5 Notes shall be no lower than $0.03. The Offering 5 Notes also contain a reset provision to the same price as any future offering in the next three (3) years in the event that the conversion or offering price of securities offered in such subsequent offering is less than the Conversion Price of the Notes in Offering 5.

Due to the fact that these convertible notes have an option to convert at a variable amount, they are subject to derivative liability treatment. The Company has applied ASC 815, due to the potential for settlement in a variable quantity of shares. The conversion feature has been measured at fair value using a Black Scholes and Binomial model at the issuance date and the period end. The conversion feature of the Offering 5 Notes issued during the nine months ended September 30, 2017, gave rise to a derivative liability of $149,443. The gross proceeds from the sale of the Offering 5 Notes were recorded net of a discount of $141,000. The debt discount relates to fair value of the conversion option. The debt discount is charged to interest expense ratably over the term of the convertible note. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

The Company will have the ability to extend the Notes for an additional six (6) months (the "Offering 5 Extended Term") and if so extended shall be referred to herein as the "Offering 5 Extended Notes". The Extended 5 Notes, upon maturity, will pay interest at a six (6) month rate of 18% (36% annualized) at the termination of the Offering 5 Extended Term. The Offering 5 Extended Notes, to the extent extended pursuant to their terms for the Offering 5 Extended Term, will carry an additional 50% warrant coverage (e.g. such warrant to be exercisable for an additional 50% of the number of shares into which the Offering 4 Extended Note is initially convertible (the "Offering 4 Extended Warrants"). The Offering 5 Extended Warrants shall be exercisable at a price equal to $0.10. The Offering 4 Extended Warrants will expire four (4) years from the Offering 4 Extended Term and shall contain customary anti-dilution rights (for stock splits, stock dividends and sales of substantially all the Company's assets) and the shares underlying the Offering 5 Extended Warrants will contain registration rights.

As part of the transaction, the Company incurred placement agent fees based on the aggregate gross proceeds raised during the nine months ended September 30, 2017, or $32,035, which were recorded as debt issuance costs.

The outstanding principal balance on the Offering 5 Notes at September 30, 2017 was $141,000.

NOTE 7 – CONVERTIBLE NOTES PAYABLE – RELATED PARTY

On April 8, 2016 (the "Initial Closing Date"), we entered into a Securities Purchase Agreement (the "SPA") with Attia Investments, LLC, a related party (the "Investor"). A shareholder of the Company who owns in-excess of 5% of the Company's common stock is the managing member of Attia Investments, LLC. Under the Agreement, we issued and sold to the Investor, and the Investor purchased from us, Debentures in the principal amount of $87,500 for a purchase price of $70,000 (together the "Debentures"), bearing interest at a rate of 0% per annum, with an original maturity on October 8, 2016, further extended to April 8, 2017. The Debentures are secured by all assets of the Company. The Company is currently in default of the SPA, making the entire unpaid principal and interest due and payable. As of the date of this report no defaults under the note have been called by the Investor.

The principal amount of the Debentures can be converted at the option of the Investor into shares of the Company's common stock at a conversion price per share of the lower of (i) $0.05 or (ii) the price per share in an offering of securities prior to the maturity date.

The Company assessed the conversion feature of the Debentures on the date of issuance and at the end of each subsequent reporting period through December 31, 2016 and concluded the conversion feature of the Debentures did not qualify as a derivative because there was no market mechanism for net settlement and they were not readily convertible to cash.

The Company reassessed the conversion feature of the Notes for derivative treatment during January 2017 and concluded its shares were readily convertible to cash based on the current trading volume of the Company's stock. Due to the fact that these convertible notes have an option to convert at a variable amount, they are subject to derivative liability treatment. The Company has applied ASC 815, due to the potential for settlement in a variable quantity of shares. The conversion feature has been measured at fair value using a black Scholes model at the reassessment date and the period end. The conversion feature, when reassessed, gave rise to a derivative liability of $154,100. In accordance with ASC 815, $42,602 was charged to paid-in-capital due since a beneficial conversion feature was recorded on the original issue date. In addition, the Company recorded a debt discount to the Notes of $70,000 relating to the fair value of the conversion option. The fair value of the conversion option on the date of issuance in excess of the face amount of the note was recorded to interest expense on the date of issuance.

Amendment

On March 16, 2017, the Company entered into an amendment to the SPA. The SPA was modified as follows:

- The maturity date of the Debentures was extended to April 8, 2017;
- The default interest rate was set at 18%.

As consideration for the amendment, the Company increased the principal amount on the Debentures from $65,000 to $86,875 and issued the Investor 218,750 shares of common stock with a fair value of $13,125. All remaining terms of the Debentures remained the same.

In accordance with ASC 470, since the present value of the cash flows under the new debt instrument was at least ten percent different from the present value of the remaining cash flows under the terms of the original debt instrument, the Company accounted for the amendment to SPA as a debt extinguishment. Accordingly, the Company wrote off the remaining debt discount on the original Debentures of $17,312. The Company recorded a loss on extinguishment of debt of $52,312 on the amendment date.

During the nine months ended September 30, 2017, the Company repaid $50,018 in principal and $2,982 in accrued interest on certain convertible notes to related parties. Upon repayment derivative liabilities in the amount of $48,093 were reclassified to equity. The outstanding principal balance on the Debentures at September 30, 2017 and December 31, 2016 was $41,857 and $70,000, respectively.

NOTE 8 – LOANS PAYABLE - OFFICERS

During the current and prior periods, one of the Company's officers made non-interest bearing loans to the Company in the form of cash and payments to vendors on behalf of the Company. The loans are due on demand and unsecured. As of September 30, 2017 and December 31, 2016, the Company is reflecting a liability of $32,426, and $34,254, respectively. The Company did not impute interest on the loan as it was deemed to be de minimis to the condensed consolidated financial statements.

NOTE 9 – STOCKHOLDERS' DEFICIT

Common stock issued for services

In August 2017, the Company entered into an agreement with a consulting firm to provide investor and public relations services. As compensation for the services, the Company was to pay the consultant $30,000 and issue 750,000 restricted common shares. The term of the agreement was for three months. During the three months ended September 30, 2017, the Company canceled the agreement without any payment or obligation.

During the nine months ended September 30, 2017, the Company issued an aggregate of 3,150,000 restricted common shares to a consultant with a fair value of $216,650. These shares vested immediately on the date of issuance. The Company has recorded $216,650 in stock-based compensation expense for the nine months ended September 30, 2017, which is a component of professional fees in the condensed consolidated statements of operations. The shares were valued based on the quoted closing trading price on the date of issuance.

During the nine months ended September 30, 2017, the Company granted an aggregate of 819,750 restricted common shares to a placement agent with a fair value of $126,287. (See Note 6). The shares were granted as compensation to the placement agent for Units sold in Offering 3 during the nine months ended September 30, 2017. The shares were valued based on the quoted closing trading price on the date of issuance.

During the nine months ended September 30, 2017, the Company issued an aggregate of 650,000 restricted common shares to a consultant with a fair value of $40,780. These shares vested immediately on the date of issuance. The Company has recorded as in stock-based compensation expense for the nine months ended September 30, 2017, which is a component of professional fees in the condensed consolidated statements of operations. The shares were valued based on the quoted closing trading price on the date of issuance.

During the nine months ended September 30, 2017, the Company issued an aggregate of 100,000 restricted common shares to a consultant with a fair value of $6,000. These shares vested immediately on the date of issuance. The Company has recorded $6,000 in stock-based compensation expense for the nine months ended September 30, 2017, which is a component of professional fees in the condensed consolidated statements of operations. The shares were valued based on the quoted closing trading price on the date of issuance.

Common stock issued with convertible notes

During the nine months ended September 30, 2017, the Company granted an aggregate of 8,211,333 restricted common shares to investors as part of a private placement of the Company's debt and equity securities. (See Note 6).

Common stock issued in connection with extinguishment of related party convertible notes

During the nine months ended September 30, 2017, the Company granted an aggregate of 218,750 restricted common shares to an investor related to the modification of the terms of an existing convertible note. (See Note 7).

Common stock issued in connection with settlement of vendor liabilities

During the nine months ended September 30, 2017, the Company granted an aggregate of 500,000 restricted common shares to a placement agent to settle a liability in the amount of $57,500. The shares were valued based on the quoted closing trading price on the vesting date.

Preferred Stock

The Company is authorized to issue up to 10,000,000 shares of preferred stock, par value $0.001 per share. No shares of its preferred stock are issued or outstanding.

2016 Amended and Restated Equity Incentive Plan

The Board of Directors and stockholders of the Company adopted the 2015 Equity Incentive Plan prior to the closing of the Share Exchange, which was amended and restated in 2016, which reserves a total of 15,000,000 shares of Common Stock for issuance under the 2016 Plan. If an incentive award granted under the 2016 Plan expires, terminates, is unexercised or is forfeited, or if any shares are surrendered in connection with an incentive award, the shares subject to such award and the surrendered shares will become available for further awards under the 2016 Plan.

Shares issued under the 2016 Plan through the settlement, assumption or substitution of outstanding awards or obligations to grant future awards as a condition of acquiring another entity are not expected to reduce the maximum number of shares available under the 2016 Plan. In addition, the number of shares of common stock subject to the 2016 Plan, any number of shares subject to any numerical limit in the 2016 Plan, and the number of shares and terms of any incentive award are expected to be adjusted in the event of any change in outstanding common stock by reason of any stock dividend, spin-off, split-up, stock split, reverse stock split, recapitalization, reclassification, merger, consolidation, liquidation, business combination or exchange of shares or similar transaction. As of September 30, 2017, no shares remain available for future issuance under the 2016 Plan.

Stock options issued for services

During the nine months ended September 30, 2017, the Company granted its interim Chief Executive Officer an aggregate of 7,000,000 stock options with an exercise price of $0.11 for services rendered, having a total grant date fair value of approximately $409,000. 1,000,000 options vest immediately and expire in 2027. 1,500,000 options vest in the event that the average volume weighted average price of the Company's common stock over any 10 day period is greater than or equal to $0.25 and expire between in 2027. 1,500,000 options vest in the event that the average volume weighted average price of the Company's common stock over any 10 day period is greater than or equal to $0.50 and expire in 2027. 1,500,000 options vest in the event that the average volume weighted average price of the Company's common stock over any 10 day period is greater than or equal to $0.75 and expire in 2027. 1,500,000 options vest in the event that the average volume weighted average price of the Company's common stock over any 10 day period is greater than or equal to $1.00 and expire in 2027. 1,000,000 of the options contain only service conditions and will be expensed on a straight-line basis over the service period of the agreement. The remaining options contain market conditions and are being expensed over the derived service period as computed by a Monte Carlo pricing model.

The Company uses the Black-Scholes model to determine the fair value of awards granted that contain typical service conditions that affect vesting. The Company uses the Monte Carlo model to determine the fair value of awards granted that contain complex features such as market conditions because the Company believes the method accounts for multiple embedded features and contingencies in a superior manner than a simple Black Scholes model. In other words, simple models such as Black-Scholes may not be appropriate in many situations given complex features and differing terms. In applying the Black-Scholes and Monte Carlo option pricing models to options granted, the Company used the following assumptions:

	For the Three and Nine Months Ended September 30, 2017
Risk free interest rate	1.83%
Dividend yield	0.00%
Expected volatility	70.00%
Expected life in years	10
Forfeiture rate	0.00%

Since the Company has limited trading history, volatility was determined by averaging volatilities of comparable companies.

The Company uses the simplified method to calculate expected term of share options and similar instruments issued to employees as the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate expected term. The contractual term is used as the expected term for share options and similar instruments issued to non-employees and for options valued using the Monte Carlo model.

The following is a summary of the Company's stock option activity during the nine months ended September 30, 2017:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding – January 1, 2017	12,300,000	$ 0.11	5.64
Granted	7,000,000	0.11	10.00
Exercised	–	–	–
Forfeited/Cancelled	–	–	–
Outstanding – September 30, 2017	19,300,000	$ 0.11	6.54
Exercisable – September 30, 2017	3,400,000	$ 0.10	7.50

At September 30, 2017, the aggregate intrinsic value of options outstanding and exercisable was $4,000 and $0, respectively.

Stock-based compensation for stock options has been recorded in the consolidated statements of operations and totaled $65,844 and $36,328, for the three months ended September 30, 2017 and 2016, respectively.

Stock-based compensation for stock options has been recorded in the consolidated statements of operations and totaled $256,045 and $105,406, for the nine months ended September 30, 2017 and 2016, respectively.

Warrants:

The Company used the Black-Scholes model to determine the fair value of warrants granted during the nine months ended September 30, 2017. In applying the Black-Scholes option pricing model to warrants granted, the Company used the following assumptions:

	For the Three and Nine Months Ended September 30, 2017
Risk free interest rate	1.10 – 2.14%
Dividend yield	0.00%
Expected volatility	65.32 – 316.98%
Contractual term (years)	3.1 - 5

The following is a summary of the Company’s warrant activity during the nine months ended September 30, 2017:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding – December 31, 2016	8,956,677	$ 0.20	3.65
Granted	20,461,194	0.09	4.20
Exercised	–	–	–
Forfeited/Cancelled	–	–	–
Outstanding and Exercisable – September 30, 2017	29,417,871	$ 0.12	3.45

At September 30, 2017, the aggregate intrinsic value of warrants outstanding and exercisable was $353,374.

The following is additional information with respect to the Company's warrants as of September 30, 2017:

Number of Warrants	Exercise Price	Weighted Average Remaining Contractual Life (In Years)	Currently Exercisable
3,119,941	$0.001	7.47	3,119,941
50,000	$0.01	2.46	50,000
1,000,000	$0.06	4.59	1,000,000
22,054,595	$0.10	3.50	22,054,595
1,000,000	$0.12	4.59	1,000,000
1,000,000	$0.18	4.59	1,000,000
418,333	$0.60	2.64	418,333
775,002	$0.72	2.91	775,002
29,417,871			29,417,871

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigations, Claims and Assessments

Attia Enterprises, a creditor, has initiated a claim against the Company for payment of a loan in default. The Company retained counsel for representation in the matter. The matter is in the early stages of discovery and the Company expects a resolution in the near term.

The Company may be involved in legal proceedings, claims and assessments arising in the ordinary course of business. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. There are no such matters other than described above that are deemed material to the condensed consolidated financial statements as of September 30, 2017 and December 31, 2016.

On January 31, 2017, the Company entered into a mutual general release and settlement agreement (the "Settlement Agreement") with Microcap Headlines, Inc. ("Microcap") to settle a judgment against the Company in the sum of $17,042 entered pursuant to a lawsuit filed by Microcap against the Company (the "Action") in the New York County, New York, Superior Court (Index No. 653105/2016). In the Action, the plaintiff alleged that the Company owed the plaintiff past due amounts for investor relations services provided to the Company. Pursuant to the Settlement Agreement, the Company agreed to pay Microcap $14,700 upon execution of the Settlement Agreement. The Settlement Agreement also contains a general release by Microcap of the Company relating to the Action, such release however is predicated on the Company making payments pursuant to the Settlement Agreement. Pursuant to the Settlement Agreement, after receipt of the full $14,700 by Microcap, the Company and Microcap shall execute a written stipulation to set aside the default and judgment against the Company and dismiss the Action with prejudice. As of December 31, 2016, the Company had accrued a liability of $17,042 related to the Settlement Agreement which has been included in other accrued liabilities at December 31, 2016 in the accompanying condensed consolidated Balance Sheet. On February 2, 2017, the Company paid the settlement in full.

Employment Agreements

On February 21, 2017, the Company entered into an employment agreement with an individual, pursuant to which, commencing March 6, 2017, the individual will serve as the Interim Chief Executive Officer of the Company and, commencing 90 days thereafter, shall serve as Chief Executive Officer of the Company through March 5, 2019, subject to extension as provided in the employment agreement, and be appointed to the Board of Directors. The agreement calls for an annual salary of $250,000 per annum and a bonus in the amount of 10% of all incremental gross revenue generated by the Company, which bonus shall be determined and be payable quarterly. In addition, pursuant to the employment agreement, the Company granted to the individual certain stock options (See Note 9).

On March 6, 2017, William Gorfein stepped down as the Company's Chief Executive Officer and was named the Company's Chief Strategy Officer and Principal Financial Officer. No changes were made to Mr. Gorfein's existing employment agreement.

Payroll Tax Liabilities

As of September 30, 2017, and through the date of this report, the Company has not filed certain federal and state income and payroll tax returns nor has it paid the payroll tax amounts and related interest and penalties relating to such returns. Amounts due under these returns with respect to penalties and interest are estimated to be $9,715 and $10,493 as of September 30, 2017 and December 31, 2016, respectively which have been included in other accrued liabilities at September 30, 2017 and December 31, 2016 in the accompanying condensed consolidated Balance Sheets.

Placement Agent and Finders Agreements

a) In April 2016, the Company entered into a Financial Advisory and Investment Banking Agreement with WestPark Capital, Inc. ("WestPark") (the "WestPark Advisory Agreement"). Pursuant to the WestPark Advisory Agreement, WestPark shall act as the Company's financial advisor and placement agent in connection with a best efforts private placement (the "Financing") of up to $750,000 of the Company's debt and/or equity securities (the "Securities"). The final closing of the Financing took place on February 15, 2017.

The Company upon closing of the Financing will pay consideration to WestPark, in cash, a fee in an amount equal to 10% of the aggregate gross proceeds raised in the Financing from the sale of Securities placed by WestPark and warrants in the amount of 10% of the aggregate gross proceeds. The Company will also pay all WestPark legal fees and expenses as well as a 3% non-accountable expense allowance of the aggregate gross proceeds raised in the Financing. The Placement Agent Warrants will have: (a) a nominal exercise price of $0.001 per share, (b) a seven year term, and (c) a cashless exercise provision. The shares underlying the Placement Agent Warrants will have standard piggyback registration rights.

During the first quarter of 2017, 1,319,750 shares were issued to the placement agent as per the terms of the WestPark Advisory Agreement.

b) In March 2017, the Company entered into a second Financial Advisory and Investment Banking Agreement with WestPark (the "Offering 4 WestPark Advisory Agreement"). Pursuant to the Offering 4 WestPark Advisory Agreement, WestPark shall act as the Company's financial advisor and placement agent in connection with a best efforts private placement (the "Offering 4 Financing") of up to $400,000, as amended, of the Company's debt and/or equity securities (the "Offering 4 Securities"). The final closing of the Offering 4 Financing took place on July 21, 2017.

The Company upon closing of the Offering 4 Financing will pay consideration to WestPark, in cash, a fee in an amount equal to 10% of the aggregate gross proceeds raised in the Offering 4 Financing from the sale of Securities placed by WestPark and warrants in the amount of 10% of the aggregate gross proceeds. In addition, the Company will issue 85,000 warrants for every $50,000 raised in the Offering 4 Financing on a pro-rata basis. The Company will also pay all WestPark legal fees and expenses as well as a 3% non-accountable expense allowance of the aggregate gross proceeds raised in the Offering 4 Financing. The Placement Agent Warrants will have: (a) a nominal exercise price of $0.001 per share, (b) a seven year term, and (c) a cashless exercise provision. The shares underlying the Placement Agent Warrants will have standard piggyback registration rights.

During the second quarter of 2017, 1,661,438 warrants were issued to the placement agent as per the terms of the Offering 4 WestPark Advisory Agreement.

NOTE 11 – SUBSEQUENT EVENTS

Financing

In October and November 2017, the Company sold an aggregate of $91,500 of Units to eight investors under Offering 6. Each Unit was sold at a price of $10,000 per Unit and consisted of one (1) six (6) month, 18% convertible promissory note (36% on an annual basis) with a face value of $10,000 (the "Offering 4 Notes") and four year warrants exercisable for an aggregate number of shares of common stock equal to 50% of the shares of common stock into which the Offering 5 Note is initially convertible, exercisable at a price of $0.06 per share. The Offering 5 Notes are due six months after the issuance of each note. In connection with the sale of $91,500 of Units, the Company issued an aggregate of 762,500 four year warrants.

In November 2017, the Company initiated Offering 6 for up to $300,000 with a $200,000 over-allotment. Offering 6 is comprised of Units to be sold at a price of $10,000 per Unit and consist of one (1) six (6) month, 18% convertible promissory note (36% on an annual basis) with a face value of $10,000 (the "Offering 6 Notes") and four year warrants exercisable for an aggregate number of shares of common stock equal to 50% of the shares of common stock into which the Offering 6 Note is initially convertible, exercisable at a price of $0.06 per share. The Offering 4 Notes are due six months after the issuance of each note.

Each of the Offering 6 Notes will be convertible at an initial price equal to $0.06 per share. In addition, during the two month period commencing on each issuance of the Offering 6 Notes, the Offering 6 Notes will contain a look-back provision pursuant to which the Offering 6 Notes will be convertible at the lower of $0.06 or the lowest volume weighted average price of the Company's common stock (the "VWAP") during any 10 day period during such two (2) month period, provided however, in the event that the VWAP during any such ten (10) day period is less than $0.06, then the reset conversion price of the Offering 6 Notes shall be no lower than $0.03. The Offering 4 Notes also contain a reset provision to the same price as any future offering in the next three (3) years in the event that the conversion or offering price of securities offered in such subsequent offering is less than the Conversion Price of the Notes in Offering 6.

In connection with the Offering 6, the Company entered into an advisory agreement whereby the Company will issue the placement agent 350,000 warrants to acquire the Company's common stock for each $100,000 raised. The warrants vest immediately and are exercisable at $0.001 per share for seven years.

In addition, the Company entered into an advisory agreement to provide advice in regard to business and finance; in regard to private and public equity and/or debt financing and relations with existing security holder. In consideration for the services, the Company will pay cash compensation of 0.50% of value of an extended convertible notes and equity consideration of 2.0% of the securities into which all extended notes placed by the service provider are convertible.

Equity transactions

In October 2017, the Company issued 400,000 shares of its common stock in connection with an advisory agreement dated October 23, 2017 for marketing services.

In October and November 2017, the Company issued an aggregate of 3,138,000 shares of its common stock in payment of $188,280 accrued interest due on previously issued convertible notes.

In October 2017, the Company issued 388,710 shares of its common stock in settlement of outstanding accounts payable of $23,352.

In October and November 2017, the Company issued an aggregate of 2,691,667 warrants to acquire the Company's common stock at an exercise price of $0.10 per share for four years for a six month extension maturing convertible notes totalling $323,000.

In November 2017, the Company issued 1,100,000 warrants as placement agent fees in connection with Offering 5. The warrants vest immediately and are exercisable at $0.001 per share for seven years.

On October 4, 2017, the Company granted 5,250,000 options to the Company's Chairman of the Board. The options are exercisable at $0.07 per share for ten years with 1,750,000 options vesting immediately; 1,750,000 vesting in the event of a 10-day variable weighted average stock price ("VWAP") of $0.20 and 1,750,000 vesting in the event of a 10 day VWAP of $0.40.

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

The following discussion should be read in conjunction with our condensed consolidated financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

Overview

PeerLogix, Inc., a Nevada corporation formerly known as Realco International, Inc. ("we", "us", "our", or the "Company"), was incorporated on February 14, 2014. On August 14, 2015, the Company completed a share exchange with PeerLogix Technologies, Inc., a Delaware corporation, pursuant to which all of the shareholders of PeerLogix Technologies exchanged all of their shares of common stock for newly issued common shares of the Company (the "Share Exchange"). The Share Exchange was treated as a reverse merger and recapitalization of Peerlogix Technologies, Inc. for financial accounting purposes and the Company will continue the existing business operations of PeerLogix Technologies, Inc. as a wholly-owned subsidiary. The historical financial statements of the Company are those of PeerLogix Technologies, Inc, and of the consolidated entities from the date of merger forward.

We qualify as an "emerging growth company" under the JOBS Act. As a result, we are permitted to, and intend to, rely on exemptions from certain disclosure requirements. For so long as we are an emerging growth company, we will not be required to:

- have an auditor report on our internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act;
- comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements (i.e., an auditor discussion and analysis);
- submit certain executive compensation matters to shareholder advisory votes, such as "say-on-pay" and "say-on-frequency;" and
- disclose certain executive compensation related items such as the correlation between executive compensation and performance and comparisons of the CEO's compensation to median employee compensation.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

We will remain an "emerging growth company" for up to five years, or until the earliest of (i) the last day of the first fiscal year in which our total annual gross revenues exceed $1 billion, (ii) the date that we become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, which would occur if the market value of our ordinary shares that is held by non-affiliates exceeds $700 million as of the last business day of our most recently completed second fiscal quarter or (iii) the date on which we have issued more than $1 billion in non-convertible debt during the preceding three year period.

We also qualify as a smaller reporting company under Rule 12b-2 of the Securities Exchange Act of 1934, as amended. As a smaller reporting company and so long as we remain a smaller reporting company, we benefit from similar exemptions and exclusions as an emerging growth company. In the event that we cease to be an emerging growth company as a result of a lapse of the five-year period, but continue to be a smaller reporting company, we would continue to be subject to similar exemptions available to emerging growth company until such time as we were no longer a smaller reporting company.

There is limited historical financial information about us upon which to base an evaluation of our performance. We are an early stage corporation and have generated minimal revenues from operations. We cannot guarantee we will be successful in our business operations. Our business is subject to risks inherent in the establishment of a new business enterprise, including limited capital resources and possible cost overruns due to price and cost increases in products.

We have not been subject to any bankruptcy, receivership or similar proceeding.

Operations

We will generate revenue primarily by licensing our Over-the-Top audience dataset to platforms and channel partners.

We predominantly contract with Data Management Platforms (DMPs) and Demand Side Platforms (DSPs) (collectively, “Demand Partners”) who license our solution to use in conjunction with other solutions offered to their advertiser clients, including brands and advertising agencies.

When we contract with a Demand Partner, it acts as an agent for a disclosed or undisclosed principal, which is the advertiser. Our contracts with Demand Partners, including DMPs and DSPs representing advertisers, are generally in the form of a revenue share between the Demand Partner and Peerlogix. Revenue payouts to PeerLogix typically occur within sixty (60) days after the end of each calendar month, and the contracts typically have an initial term of a year.

In September 2017, we renewed an agreement with Lotame, Inc, whereas, our Over-the-Top audience segments are licensed for use in Lotame’s LDX platform. In August 2017, we entered into an agreement with eXelate, Inc., a subsidiary of Nielsen Holdings plc, whereas, our Over-the-Top audience segments are licensed for use via eXelate’s proprietary electronic platform. In October 2017, we entered into a partnership with AdSquare to integrate our Over-the-Top audience segments with their Audience Management Platform.

We also work with Channel Partners who provide us with ad hoc integrations to the majority of marketing platforms in the digital marketing ecosystem, including the DMPs and DSPs licensing our Over-the-Top audience data. Channel Partner relationships are a critical aspect of our supply chain and represent the distribution component of our business by facilitating our audience data for Demand Partners. We see healthy relationships with Channel Partners as a sign of validation in an otherwise noisy industry of data providers who we compete against for advertising spend from DMPs and DSPs. Together, Channel Partners form the “power grid” for data distribution, the foundation that Demand Partners commonly rely upon for access to our audience data.

In May 2017, we entered into a partnership with Narrative I/O to integrate our Over-the-Top audience data with their marketplace, enabling buyers on their platform access to our OTT engagement data. In June 2017, we entered into a partnership with Neustar, Inc. to warehouse our household level Over-the-Top audience data with Neustar’s Data Onboarding offering, therefore expanding our potential distribution capabilities to include companies integrated with Neustar’s partner ecosystem. In September 2017, we entered into a partnership with Liveramp, a subsidiary of Acxiom, Inc., to include our Over-the-Top audience data in Liveramp’s Data Store, enabling access to our data for advertising in partners of Liveramp.

Results of Operations for the Three Months Ended September 30, 2017 and 2016

The following table sets forth the summary income statement for the three months ended September 30, 2017 and 2015:

	For the Three Months Ended September 30, 2017	For the Three Months Ended September 30, 2016
Revenues	$ –	$ –
Operating Expenses	$ (313,439)	$ (170,505)
Interest Expense	$ (443,991)	$ (195,376)
Change in fair value of derivative liabilities	$ (1,016,550)	$ –
Loss on extinguishment of debt	$ (300,634)	$ –
Net Loss	$ (2,074,614)	$ (365,881)

Revenues: From inception through September 30, 2017 the Company has generated minimal revenues.

Operating Expenses: Operating expenses consist primarily of compensation and related costs for personnel and facilities, and include costs related to our facilities, finance, human resources, information technology and fees for professional services. Professional services are principally comprised of outside legal, audit, information technology consulting, marketing, investor relations and outsourcing services.

Operating expenses increased by 83.8% during the three months ended September 30, 2017, as compared to the three months ended September 30, 2016. The overall $142,934 increase in operating expenses is primarily attributable to the following approximate net increases (decreases) in operating expenses:

- An increase of payroll and related expenses of $85,845 due to a increase in officers' salaries and a new employee.
- An increase in equity-based compensation expense of $65,399. During the three months ended September 30, 2017, the Company recognized $111,687 of equity-based compensation as a result of equity-based awards granted to board members and advisory board members. During the three months ended September 30, 2016, the Company recognized $46,288 of equity-based compensation.
- A decrease in professional fees of $8,300 (excluding equity-based compensation - see above). In the current period the Company incurred a decrease in consulting fees related to business development, financial advisory services and investor relations and an increase in auditing fees and legal fees related to public filing requirements. These decreases were partially offset by an increase in accounting fees related to public filing requirements.
- An increase in computer and internet expenses of $22,956 primarily due to the additional costs incurred in the current period as compared to same period, last year. Monthly server costs fluctuate based on usage and data collection.

Other expenses: Other expense consists primarily of interest expense primarily related to the Company's notes payable.

Interest expense - increased by $248,615 to $443,991 during the three months ended September 30, 2017 as compared to $195,376 during the three months ended September 30, 2016 due to the issuance of new notes subsequent to September 30, 2016.

Change in derivative liabilities- We issued convertible notes with an embedded derivative, all requiring us to fair value the derivatives each reporting period and mark to market as a non-cash adjustment to our current period operations. This resulted in a loss of $1,016,550 and $0 on change in fair value of derivative liabilities for the three months ended September 30, 2017 and 2016, respectively.

Loss on extinguishment of debt-We issued warrants to our note holders to extend terms on existing notes for an additional six months, as such, we incurred a loss on settlement of debt of $300,634 for the three months ended September 30, 2017 as compared to $0 for the same period, last year.

Results of Operations for the Nine Months Ended September 30, 2017 and 2016

The following table sets forth the summary income statement for the nine months ended September 30, 2017 and 2016:

	For the Nine Months Ended	
	September 30, 2017	September 30, 2016
Revenues	$ -	$ -
Operating expenses	$ (1,411,177)	$ (871,395)
Interest expense	$ (3,295,812)	$ (279,256)
Change in fair value of derivative liabilities	$ 192,361	$ -
Loss on loan receivable	$ (37,500)	$ -
Loss on extinguishment of debt	$ (613,606)	$ -
Net Loss	$ (5,165,734)	$ (1,150,651)

Revenues: From date of inception through September 30, 2017, the Company has generated minimal revenues.

Operating Expenses: Operating expenses consist primarily of compensation and related costs for personnel and facilities, and include costs related to our facilities, finance, human resources, information technology and fees for professional services. Professional services are principally comprised of outside legal, audit, information technology consulting, marketing, investor relations and outsourcing services.

Operating expenses increased by 61.9% during the nine months ended September 30, 2017, as compared to the nine months ended September 30, 2016. The overall $539,782 increase in operating expenses is primarily attributable to the following approximate net increases (decreases) in operating expenses:

- An increase of payroll and related expenses of $78,813 due to an increase in officers' salaries and new employees.
- An increase in professional fees of $39,037. In the current period the Company incurred an increase in consulting fees related to business development, financial advisory services and investor relations; an increase in accounting and auditing fees; and an increase in legal fees related to merger activities partially offset by a substantial decrease in legal fees related to patent costs.
- An increase in stock based compensation of $456,467 due to previously issued options and equity issued for services to key consultants.
- An increase of computer and internet expenses of $33,380 due to increased needs and higher costs.

Other income (expenses), net: Other income (expense), net consists are primarily related to the Company's convertible promissory notes and notes payable.

Interest expense - increased by $3,016,556 to $3,295,812 during the nine months ended September 30, 2017 as compared to $279,256 during the nine months ended September 30, 2016. During the nine months ended September 30, 2017, interest expense included non-cash interest and amortization of debt discounts of $2,659,569 as compared to $229,616 in 2016.

Change in derivative liabilities - We issued convertible notes with an embedded derivative, all requiring us to fair value the derivatives each reporting period and mark to market as a non-cash adjustment to our current period operations. This resulted in a gain of $192,361 and $0 on change in fair value of derivative liabilities for the nine months ended September 30, 2017 and 2016, respectively.

Loss on extinguishment of debt - We issued warrants to our note holders to extend terms on existing notes for an additional six months, as such, we incurred a loss on settlement of debt of $561,294 for the nine months ended September 30, 2017 as compared to $0 for the same period, last year. In addition, in 2017, we amended a related party convertible note incurring a loss on amendment of $52,312.

Loss on loan receivable - During February 2017, we loaned $37,500 to a potential merger candidate, for working capital purposes. In March 2017, the Company withdrew its plan of merger and recorded an allowance for loan losses of $37,500 due to the loan deemed uncollectible

Liquidity and Capital Resources

The following table summarizes total current assets, liabilities and working capital at September 30, 2017 compared to December 31, 2016:

	September 30, 2017	December 31, 2016	Increase/ (Decrease)
Current Assets	$ 33,119	$ 102,891	$ (69,772)
Current Liabilities	$ 4,746,265	$ 1,038,602	$ 3,707,663
Working Capital Deficit	$ (4,713,146)	$ (935,711)	$ 3,777,435

As of September 30, 2017, we had working capital deficit of $4,713,146 as compared to a working capital deficit of $935,711 as of December 31, 2016, an increase of $3,777,435. The change in working capital deficit is primarily attributable our decrease in current assets of $69,772, increase in accounts payable and accrued expenses of $486,928, increase in our short term debt of $919,618 and our derivative liability of $2,301,117.

We have incurred net operating losses and operating cash flow deficits since inception, continuing through the third quarter of 2017. We have been funded primarily by a combination of equity issuances and debt, to execute on our business plan and for working capital. Our principal source of liquidity is our cash. At September 30, 2017, we had cash totaling approximately $6,500. We believe our existing available cash is insufficient to enable the Company to meet the working capital requirements for the near future. Consequently, we will be required to raise additional capital to complete the development and commercialization of our current product. However, there can be no assurance that we will be able to raise additional capital on terms acceptable to us, or at all. In order to boost sales, we continue to explore potential expansion opportunities in the industry through mergers and acquisitions, enhancement of our existing products, development of new products and expansion into other international markets. We will incur increased costs as a result of being a public company, which could affect our profitability and operating results.

We are obligated to file annual, quarterly and current reports with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley") and the rules subsequently implemented by the SEC and the Public Company Accounting Oversight Board have imposed various requirements on public companies, including requiring changes in corporate governance practices. We expect these rules and regulations to increase our legal and financial compliance costs and to make some activities of ours more time-consuming and costly. We expect to spend between $100,000 and $150,000 in legal and accounting expenses annually to comply with our reporting obligations and Sarbanes-Oxley. These costs could affect profitability and our results of operations.

Management has determined that additional capital will be required in the form of equity or debt securities. In addition, if we cannot raise additional short term capital we will be forced to continue to further accrue liabilities due to our limited cash reserves. There are no assurances that management will be able to raise capital on terms acceptable to the Company. If we are unable to obtain sufficient amounts of additional capital, we may be required to reduce the scope of our planned development, which could harm our business, financial condition and operating results. If we obtain additional funds by selling any of our equity securities or by issuing common stock to pay current or future obligations, the percentage ownership of our stockholders will be reduced, stockholders may experience additional dilution, or the equity securities may have rights preferences or privileges senior to the common stock. If adequate funds are not available to us when needed on satisfactory terms, we may be required to cease operating or otherwise modify our business strategy.

Going Concern and Management's Liquidity Plans

As reflected in the condensed consolidated financial statements, the Company had an accumulated deficit of $8,558,582 at September 30, 2017, a net loss and net cash used in operating activities for the period then ended and since inception. These factors raise substantial doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue its operations is dependent on management's plans, which include the raising of capital through debt and/or equity markets, with some additional funding from other traditional financing sources, including term notes, until such time that funds provided by operations are sufficient to fund working capital requirements. The Company may need to incur additional liabilities with certain related parties to sustain the Company's existence. There can be no assurance that the Company will be able to raise any additional capital.

We may also require additional funding to finance the growth of our anticipated future operations as well as to achieve our strategic objectives. There can be no assurance that financing will be available in amounts or terms acceptable to the Company, if at all. In that event, the Company would be required to change its growth strategy and seek funding on that basis, if at all.

Our plan regarding these matters is to raise additional debt and/or equity financing to allow us the ability to cover our current cash flow requirements and meet our obligations as they become due. There can be no assurances that financing will be available or if available, that such financing will be available under favorable terms. In the event that we are unable to generate adequate revenues to cover expenses and cannot obtain additional financing in the near future, we may seek protection under bankruptcy laws. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of the recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Financing Transactions

In March 2017, the Company entered into a second Financial Advisory and Investment Banking Agreement with WestPark under which WestPark will provide financial advisory services and will act as the Company's exclusive placement agent and assist in a private offering of the Company's securities of up to $400,000 ("Offering 4"), as amended. During the three months ended September 30, 2017, the Company sold 40.8 Units under Offering 4 for gross proceeds of $31,000. As additional consideration for entering in the private placement offering, the investors were granted a total of 358,333 warrants to purchase common stock. As part of the transaction, the Company incurred placement agent fees of $6,542.

In August 2017, the Company entered into a third Financial Advisory and Investment Banking Agreement with WestPark under which WestPark will provide financial advisory services and will act as the Company's exclusive placement agent and assist in a private offering of the Company's securities of up to $200,000 ("Offering 5"). During the three months ended September 30, 2017, the Company sold 13.85 Units under Offering 5 for gross proceeds of $141,000. As additional consideration for entering in the private placement offering, the investors were granted a total of 1,175,000 warrants to purchase common stock. As part of the transaction, the Company incurred placement agent fees of $32,035.

Placement Agent and Finders Agreements

In connection with our Offering 6, we entered into an advisory agreement whereby we will issue the placement agent 350,000 warrants to acquire the Company's common stock for each $100,000 raised. The warrants vest immediately and are exercisable at $0.001 per share for seven years.

In addition, we entered into an advisory agreement to provide advice in regard to business and finance; in regard to private and public equity and/or debt financing and relations with existing security holder. In consideration for the services, we will pay cash compensation of 0.50% of value of an extended convertible notes and equity consideration of 2.0% of the securities into which all extended notes placed by the service provider are convertible.

Summary Cash flows for the Nine Months Ended September 30, 2017 and 2016:

	Nine Months Ended			
	September 30, 2017		September 30, 2016	
Net cash used in operating activities	$	(504,135)	$	(195,694)
Net cash used in investing activities	$	(37,500)	$	–
Net cash provided by financing activities	$	492,100	$	344,506

Cash Used in Operating Activities

Our primary uses of cash from operating activities include payments to consultants for research and development, compensation and related costs, legal and professional fees, computer and internet expenses and other general corporate expenditures.

Cash used in operating activities consist of net loss adjusted for certain non-cash items, primarily equity-based compensation expense, amortization of debt discount, and amortization of debt issuance costs during the nine months ended September 30, 2017, as well as the effect of changes in working capital and other activities.

The adjustments for the non-cash items increased from the nine months ended September 30, 2016 to the nine months ended September 30, 2017 due primarily to an increase in equity based compensation and amortization of the debt discount and debt issuance costs recorded on the notes payable entered into during the current period. In addition, the net increase in cash from changes in working capital activities from the nine months ended September 30, 2016 to the nine months ended September 30, 2017 primarily consisted of an increase in accounts payable and accrued expenses primarily due to an increase in accrued payroll and payroll related expenses, accrued accounting fees, accrued director's fees and accrued consulting fees, business development, financial advisory services and investor relations.

Cash Provided by Financing Activities

Cash provided by financing activities consists primarily of net proceeds from issuance or repayments of notes payable, convertible promissory notes, related party loans and proceeds from the issuance of common stock and warrants of the Company.

Cash provided by financing activities decreased from the nine months ended September 30, 2016 to the nine months ended September 30, 2017, primarily driven by a decrease in proceeds from the issuance of common stock and warrants.

Critical Accounting Policies

Our financial statements and related public financial information are based on the application of accounting principles generally accepted in the United States ("U.S. GAAP"). U.S. GAAP requires the use of estimates; assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenues and expense amounts reported. These estimates can also affect supplemental information contained in our external disclosures including information regarding contingencies, risk and financial condition. We believe our use of estimates and underlying accounting assumptions adhere to U.S. GAAP and are consistently and conservatively applied. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ materially from these estimates under different assumptions or conditions. We continue to monitor significant estimates made during the preparation of our financial statements.

Our significant accounting policies are summarized in Note 3 of our condensed consolidated financial statements. While all these significant accounting policies impact our financial condition and results of operations, we view certain of these policies as critical. Policies determined to be critical are those policies that have the most significant impact on our financial statements and require management to use a greater degree of judgment and estimates. Actual results may differ from those estimates. Our management believes that given current facts and circumstances, it is unlikely that applying any other reasonable judgments or estimate methodologies would cause effect on our consolidated results of operations, financial position or liquidity for the periods presented in this report.

We believe the following critical accounting policies and procedures, among others, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements:

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. The Company's significant estimates and assumptions include the fair value of the Company's equity instruments, convertible debt, derivative liabilities, stock-based compensation, and the valuation allowance relating to the Company's deferred tax assets.

Recently Issued Accounting Pronouncements

See Note 3 to our condensed consolidated financial statements for the nine months ended September 30, 2017, included elsewhere in this document.

Off Balance Sheet Arrangements:

We do not have any off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities" (SPEs).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are an emerging growth company and are not required to provide the information under this item pursuant to Regulation S-K.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management maintains “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer/Chief Financial Officer, to allow timely decisions regarding required disclosure.

In connection with the preparation of this quarterly report on Form 10-Q, an evaluation was carried out by management, with the participation of our Chief Executive Officer/Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2017.

Based on that evaluation, management concluded, as of the end of the period covered by this report, that our disclosure controls and procedures were not effective in recording, processing, summarizing, and reporting information required to be disclosed, within the time periods specified in the Securities and Exchange Commission’s rules and forms due to the existence of certain material weaknesses identified in the “Risk Factors and Special Considerations” section in Form 10-K as filed by the Company with the SEC on April 17, 2017.

Changes in Internal Controls over Financial Reporting

As of the end of the period covered by this report, there have been no changes in the internal controls over financial reporting during the quarter ended September 30, 2017, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Attia Enterprises, a creditor, has initiated a claim against the Company for payment of a loan in default. The Company retained counsel for representation in the matter. The matter is in the early stages of discovery and the Company expects a resolution in the near term.

In the ordinary course of business, the Company will occasionally be threatened with litigation from vendors for overdue fees. The Company will respond to any such threats in due course.

ITEM 1A. RISK FACTORS

As an emerging company, we are not required to provide the information required by this Item.

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

Stock warrants for note extensions

During the three months ended September 30, 2017, the Company issued an aggregate of 3,624,999 warrants to investors related to the modification of the terms of an existing convertible note.

Stock warrants in connection with convertible notes

During the three months ended September 30, 2017, the Company issued 1,433,333 warrants to investors as part of a private placement of the Company's debt securities.

Stock warrants issued for services

During the three months ended September 30, 2017, the Company issued 82,667 warrants to a placement agent with a fair value of $7,439.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are included with this report.

31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on December 1, 2017.

PEERLOGIX, INC.

By: /s/ Ray Colwell
Ray Colwell
Chief Executive Officer and
Principal Executive Officer