

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

Quarterly report pursuant section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2017

Transition report pursuant section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number 000-55697

Life Clips, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Wyoming

*(State or Other Jurisdiction of
Incorporation or Organization)*

**18851 NE 29th Ave, Suite 700
Aventura, FL**

(Address of principal executive offices)

3861

*(Primary Standard Industrial
Classification Code Number)*

46-2378100

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

33180

(Zip Code)

Registrant's telephone number including area code: **(800) 292-8991**

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (check one)

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 19, 2016
Common Stock, \$0.001 par value per share	137,193,629

Indicate by check mark whether the registrant is an "emerging growth company" as defined in Section 2(a) of the Securities Act and Section 3(a) of the Exchange Act. Yes No

Indicate by check mark whether 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 7(a)(2)(B) of the Securities Act and Section 13(a) of the Exchange Act.



LIFE CLIPS, INC.
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2017
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PART I - FINANCIAL INFORMATION
Item 1. Financial Statements

Life Clips, Inc. and Subsidiary
Balance Sheets

	<u>March 31, 2017</u>	<u>June 30, 2016</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
ASSETS		
Current assets		
Cash	\$ 172,188	\$ 469,233
Due from related party		
Total current assets	<u>\$ 172,188</u>	<u>\$ 469,233</u>
Other Current Assets		
Accounts Receivable	9,062	-
Inventory - Cameras and Accessories	37,790	-
Other Current Assets	-	-
Deposit	-	240,000
Investment - Butterfly Energy LTD	32,500	-
Total other current assets	<u>\$ 79,351</u>	<u>\$ 240,000</u>
Fixed Assets		
Developed Software	-	-
Total Fixed Assets	-	-
Total assets	<u><u>\$ 251,540</u></u>	<u><u>\$ 709,233</u></u>
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current liabilities		
Accounts Payable	\$ 236,910	\$ 162,759
Accrued Expense and Interest Payable	176,310	48,476
Note Payable (net of discount of \$ 466,130 and \$681,047, respectively)	602,671	108,953
Note Payable - Butterfly Energy LTD	500,000	-
Payroll Tax Liabilities	18,745	8,195
Derivative Liabilities	1,959,832	1,518,085
Total Current Liabilities	<u>3,494,468</u>	<u>1,846,468</u>
Long Term Liabilities		
Derivative Liability - Convertible Notes Payable	307,917	18,625,104
Convertible Notes Payable (Net of debt discount of \$ 1,393,152 and \$908,466, respectively.)	975,267	334,112
Total Long Term Liabilities	<u>1,283,184</u>	<u>18,959,216</u>
Total Liabilities	4,777,652	20,805,684
Shareholders' deficit		
Preferred stock, (\$0.001 par value; 20,000,000 shares authorized, no shares were issued and outstanding).	-	-
Common stock, (\$0.001 par value; 300,000,000 shares authorized, 79,370,345 and 53,332,576 shares issued and outstanding as of March 31, 2017 and June 30, 2016, respectively).	79,370	53,333
Additional paid in capital	11,823,180	304,666
Accumulated deficit	(16,428,762)	(20,454,450)
Total shareholders' deficit	<u>(4,526,212)</u>	<u>(20,096,451)</u>
Total liabilities and shareholders' deficit	<u><u>\$ 251,440</u></u>	<u><u>\$ 709,233</u></u>

The accompanying notes are an integral part of these condensed, consolidated financial statements.

Life Clips, Inc. and Subsidiary
Statements of Operations
For the Three and Nine Months ended March 31, 2017 and 2016
(Unaudited)

	For the three month period ended <u>March 31, 2017</u>	For the three month period ended <u>March 31, 2016</u>	For the nine month period ended <u>March 31, 2017</u>	For the nine month period ended <u>March 31, 2016</u>
Revenues				
Revenues	\$ 3,662	\$ 534	\$ 89,827	\$ 534
Cost of goods sold	14,203	-	68,472	-
Gross profit	<u>(10,541)</u>	<u>534</u>	<u>21,355</u>	<u>534</u>
Operating costs:				
Compensation paid with stock	-	-	-	-
Finance Costs	-	-	51,000	33,935
Payroll Expense	2,269	49,992	160,996	107,574
Product Development Expense	-	22,464	4,191	45,824
Professional Fees	172,982	30,908	1,983,697	52,341
Licensing Fees	-	-	137,000	-
Marketing Expense	-	-	3,886	-
Software Fees and Support	148	42,880	2,995	51,796
Travel, Meals and Entertainment	9,695	6,090	29,523	21,429
Other general and administrative expenses	47,814	11,293	94,094	53,150
Total operating costs	<u>232,908</u>	<u>163,627</u>	<u>2,467,381</u>	<u>366,049</u>
Gain/(Loss) from operations	<u>(243,449)</u>	<u>(163,093)</u>	<u>(2,446,026)</u>	<u>(365,515)</u>
Other income (expense)				
Interest expense	(47,589)	(12,175)	(139,608)	(20,824)
Amortization of Debt Discount	(523,700)	(108,305)	(1,655,679)	(238,793)
Gain/(Loss) on Derivative	1,300,009	89,358	14,457,887	(4,614,094)
Loss on Acquisition of Butterfly Energy LTD	-	-	(6,191,000)	-
Total Other Income (Expense)	<u>728,720</u>	<u>(31,122)</u>	<u>6,471,600</u>	<u>(4,873,711)</u>
Gain/(Loss) before income taxes	<u>485,271</u>	<u>(194,215)</u>	<u>4,025,574</u>	<u>(5,239,226)</u>
Provision for income taxes	-	-	-	-
Net gain/(loss)	<u>\$ 485,271</u>	<u>\$ (194,215)</u>	<u>\$ 4,025,574</u>	<u>\$ (5,239,226)</u>
Basic earnings per share	<u>0.01</u>	<u>**</u>	<u>0.05</u>	<u>0.07</u>
Weighted average number of common shares outstanding	<u>90,735,508</u>	<u>53,332,576</u>	<u>77,490,520</u>	<u>75,745,579</u>

**Less than \$0.01

The accompanying notes are an integral part of these condensed, consolidated financial statements.

Life Clips, Inc. and Subsidiary
Statement of Cash Flows
For the Nine Months Ended
(Unaudited)

	<u>March 31, 2017</u>	<u>March 31, 2016</u>
Cash flows from operating activities:		
Net gain/(loss)	\$ 4,025,574	\$ (5,239,226)
Common Stock Compensation	1,670,158	-
Accounts Receivable	(9,062)	-
Inventory	(37,790)	(48,411)
Deposit	240,000	-
Other Current Assets	(11,266)	2,712
Changes in derivative liabilities	(14,457,887)	4,614,094
Amortization of Debt discount	1,655,679	238,793
Loss on Butterfly acquisition	6,191,000	-
Adjustments to reconcile Net Income to Net Cash provided by operations:		
Accounts Payable	(74,151)	-
Accrued expense and interest payable	(245,985)	6,083
Payroll tax liabilities	(10,550)	5,493
Net cash (used in) operating activities	\$ (1,064,279)	\$ (420,462)
Cash flows from investing activities:		
Investment - Butterfly Energy Ltd	(32,500)	-
Developed software	-	(51,892)
Net cash (used in) provided by investing activities	\$ (32,500)	\$ (51,892)
Cash flows from financing activities:		
Repurchase of common stock	-	(345,000)
Loans payable - Others	-	(35,000)
Proceed from convertible notes payables	800,034	867,577
Net cash provided by financing activities	\$ 800,034	\$ 487,577
Net cash increased in cash	(296,745)	15,223
Cash at beginning of period	468,933	2,644
Cash at end of period	\$ 172,188	\$ 17,867
Supplemental Disclosures of cash flow information:		
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
NON-CASH TRANSACTIONS AFFECTING OPERATING, INVESTING AND FINANCING ACTIVITIES		
Value of common shares issued as payment of debt	\$ 482,208	\$ 65,000
Value of common shares issued for services	\$ 35,400	\$ -
Value of common shares returned to treasury	\$ 27,617	\$ -
Value of common shares issued for acquisition of Butterfly Energy LTD	\$ 5,091,000	\$ 5,091,000
Issuance of Common Stock for acquisition of Butterfly Energy LTD	9,500,000	-
Issuance of Common Stock for convertible notes payable	16,113,462	-
Issuance of Common Stock for services	3,000,000	-
Notes payable	\$ 850,034	\$ -

The accompanying notes are an integral part of these condensed, consolidated financial statements.

Life Clips, Inc.
Footnotes to Financial Statements March 31, 2017

NOTE 1. ORGANIZATION AND OPERATIONS

Business and basis of presentation – Life Clips, Inc. (the “Company”) was incorporated in Wyoming on March 20, 2013 as Blue Sky Media Corporation and its principal business was developing, financing, producing and distributing motion pictures and related entertainment products. Following the Company’s October 2, 2015 acquisition of Klear Kapture, Inc. (“Klear Kapture”), the Company continued Klear Kapture’s business of developing a body camera and an auditable software solution suitable for use by law enforcement. The Company changed its name to Life Clips, Inc. on November 3, 2015 in order to better reflect its business operations at the time.

On October 2, 2015, the Company completed the acquisition of 100% of Klear Kapture, Inc. (“Klear Kapture”) its issued and outstanding common stock in exchange for 38,037,120 shares of the Company’s unregistered common stock. As part of the Share Exchange, the Company purchased 107,261,000 shares of its common stock from its former executive officers and directors for a price of \$345,000. Upon the effective date of the transaction, Klear Kapture became a wholly owned subsidiary of the Company.

The Company acquired Butterfly Energy in July 2016. Butterfly manufactures the Mobeego® brand emergency cell phone batteries. The Mobeego provides an extra 20-40% shot of power to a cell phone without having to be tethered or charged. The batteries have a 10-year shelf life. The Company realized the packaging that was inherited did not convey the message properly and is in the process of re-packaging the product.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents – For financial statement presentation purposes, the Company considers all short term investments with a maturity date of three months or less to be cash equivalents.

Income Tax – The Company accounts for income taxes under ASC 740 “Income Taxes” which codified SFAS 109, “Accounting for Income Taxes.” under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period the enactment occurs. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

Basic and Diluted Net Income (Loss) Per Share – The Company computes net income (loss) per share in accordance with ASC 260 “Earnings Per Share” which codified SFAS No. 128. “Earnings per Share.” ASC 260 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares of common stock outstanding during the period. If applicable, diluted earnings per share assume the conversion, exercise or issuance of all common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce a loss or increase earnings per share. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive.

Intangible Asset – The Company is developing software. The development cost through March 31, 2017 has totaled \$14,625. The software has an infinite useful life and will be tested annually for impairment.

Fair Value of Financial Instruments

The Company measures assets and liabilities at fair value based on an expected exit price as defined by the authoritative guidance on fair value measurements, which represents the amount that would be received on the sale of an asset or paid to transfer a liability, as the case may be, in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis whereby inputs, used in valuation techniques, are assigned a hierarchical level.

The following are the hierarchical levels of inputs to measure fair value:

- Level 1 – Observable inputs that reflect quoted market prices in active markets for identical assets or liabilities.
- Level 2 – Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Unobservable inputs reflecting the Company’s assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying amounts of the Company’s financial assets and liabilities, such as cash, prepaid expenses, other current assets, accounts payable & accrued expenses, certain notes payable and notes payable – related party, approximate their fair values because of the short maturity of these instruments.

The Company accounts for its derivative liabilities, at fair value, on a recurring basis under level 3. See Note 8.

Embedded Conversion Features

The Company evaluates embedded conversion features within convertible debt under ASC 815 “Derivatives and Hedging” to determine whether the embedded conversion feature(s) should be bifurcated from the host instrument and accounted for as a derivative at fair value with changes in fair value recorded in earnings. If the conversion feature does not require derivative treatment under ASC 815, the instrument is evaluated under ASC 470-20 “Debt with Conversion and Other Options” for consideration of any beneficial conversion feature.

Derivative Financial Instruments

The Company does not use derivative instruments to hedge exposures to cash flow, market, or foreign currency risks. The Company evaluates all of its financial instruments, including stock purchase warrants, to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported as charges or credits to income.

For option-based simple derivative financial instruments, the Company uses the Black-Scholes option-pricing model to value the derivative instruments at inception and subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is re-assessed at the end of each reporting period.

Debt Issue Costs and Debt Discount

The Company may record debt issue costs and/or debt discounts in connection with raising funds through the issuance of debt. These costs may be paid in the form of cash, or equity (such as warrants). These costs are amortized to interest expense over the life of the debt. If a conversion of the underlying debt occurs, a proportionate share of the unamortized amounts is immediately expensed.

Stock based compensation – ASC 718 “Compensation Stock Compensation” codified SFAS No. 123 prescribes accounting and reporting standards for all stock based compensation plans payments award to employees, including employee stock options, restricted stock, employee stock purchase plans and stock appreciation rights, which may be classified as either equity or liabilities. The Company should determine if a present obligation to settle the share based payment transaction in cash or other assets exists. A present obligation to settle in cash or other assets exists if: (a) the option to settle by issuing equity instruments lacks commercial substance or (b) the present obligation is implied because of an entity’s past practices or stated policies. If a present obligation exists, the transaction should be recognized as a liability; otherwise, the transaction should be recognized as equity.

The Company accounts for stock based compensation issued to nonemployees and consultants in accordance with the provisions of ASC 50550 “Equity Based Payments to Non-Employees” which codified SFAS 123 and the Emerging Issues Task Force consensus in Issue No. 9618, “Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods or Services”. Measurement of share based payment transactions with nonemployees shall be based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share based payment transaction should be determined at the earlier of performance commitment date or performance completion date.

Recognition of Revenues – The Company recognizes revenue in accordance with Staff Accounting Bulletin No. 104, “Revenue Recognition in Financial Statements”. This statement established that revenue can be recognized when persuasive evidence of an arrangement exists, the services have been delivered, all significant contractual obligations have been satisfied, the fee is fixed or determinable and collection is reasonably assured.

Subsequent Events – The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements are issued.

Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

Recent Pronouncements – The Company reviewed all recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the SEC and they did not or are not believed by management to have a material impact on the Company’s present or future financial statements.

NOTE 3. UNCERTAINTY OF ABILITY TO CONTINUE AS A GOING CONCERN

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying financial statements, the Company has minimal revenues, net accumulated losses since inception and a shareholders’ deficit of \$(16,670,597). These factors raise doubt about its ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on management funding operating costs and the successful production and sales release of the Life Clips camera. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 4. RELATED PARTY TRANSACTIONS

On January 12, 2017, in conjunction with his resignation as the Company’s Chief Executive Officer and a director, Robert Gruder agreed to cancel 27,617,226 shares of the Company’s common stock issued to him in connection with the acquisition of Klear Kapture.

NOTE 5. INTANGIBLE ASSETS

The Company was developing software as part of the Trademark License Agreement (the “Trademark Agreement”) it entered into with HP Inc. (“HP”) . The development costs of \$14,625 were impaired upon cancellation of the HP agreement on March 20, 2017 and an impairment charge of \$14,625 was recorded in the period ended March 31, 2017. See Note 12.

	<u>March 31, 2017</u>	<u>June 30, 2016</u>
Software	\$ 14,625	\$ 646,980
Less: Impairment Charges	(14,625)	(646,980)
Less: Accumulated Amortization	—	—
Software - net	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE 6. NOTES PAYABLE

On July 14, 2016 the Company issued a \$30,000 promissory note to NUWA Group, LLC. The promissory note is a standard, non-convertible note. The effective interest rate is 5.00% per annum, calculated yearly not in advance. The note is to be repaid in full on October 14, 2016. Note proceeds are to be used for operating expenses.

Pursuant to the Stock Purchase Agreement by and among Butterfly Energy, LTD and the Company, on July 11, 2016 the Company issued a \$500,000 Promissory Note and Stock Pledge Agreement to the former shareholders of Butterfly Energy, LTD. The promissory note is a standard, non-convertible note. The effective interest rate is 1.00% with a default interest rate of 10.00%. The note is to be repaid in two (2) payments, \$250,000 on October 11, 2016 and the balance due on February 13, 2017. The Company has not paid the amounts due under this note. See Note 12.

At March 31, 2017 and June 30, 2016 the Company had notes payable in the amount of \$850,034 and \$0, respectively.

NOTE 7. CONVERTIBLE DEBT AND WARRANTS

The Company has recorded derivative liabilities associated with convertible debt instruments and warrants, as more fully discussed at Note 8.

(A) Convertible Debt

On October 2, 2015, the Company completed an offering of its 3.85% Convertible Promissory Notes (the “3.85% Notes”) in the aggregate principal amount of \$617,578 and on December 7, 2015 the Company completed an offering of its 10% Convertible Promissory Notes (the “10% Notes”) in the aggregate principal amount of \$250,000 (the “10% Notes”, and together with the 3.85% Notes, each a “Note” and collectively, the “Notes”), as applicable, with certain “accredited investors” (the “Investors”), as defined under Regulation D, Rule 501 of the Securities Act. The entire principal amount of the Notes remaining outstanding at March 31, 2017 was \$417,588, such amount being exclusive of securities converted into the Notes separate from the offering of the Notes. Pursuant to the offering of the Notes, the Company received \$617,578 and \$250,000 in net proceeds on October 2, 2015 and December 7, 2015, respectively.

In addition to the terms customarily included in such instruments, the Notes began accruing interest on the date that each Investor submitted the principal balance of such Investor's Note, with the interest thereon becoming due and payable on the two-year anniversary of said date. Upon a default of the Notes, the interest rate will increase to 18%. The principal balance of each Note and all unpaid interest will become due and payable twenty-four (24) months after the date of issuance. The Notes may be prepaid with or without a penalty depending on the date of the prepayment. The principal and interest under the 3.85% Notes are converted at \$ \$0.026. The principal and interest under the 10% Notes are convertible into shares of the Company's common stock at 75% times the Volume Weighted Average Price for a 5 days period prior to the conversion date as quoted on the OTC market and pursuant to the terms of a Security Purchase Agreement, dated as of October 2, 2015 and December 7, 2015, as applicable, by and between the Company and each Investor.

In connection with the Notes Offering, the Company entered into Registration Rights Agreements, each dated as of October 2, 2015 and December 7, 2015 and each by and between us and each of the Investors.

The Company entered into convertible notes with eleven third party accredited investors from December 2015 to December 2016. In addition to the terms customarily included in such instruments, the Notes began accruing interest on the date that each Investor submitted the principal balance of such Investor's Note, with the interest thereon becoming due and payable on terms specified in said date (see below). Interest rates range from 3.85% to 10% and are due at various dates from August 2016 to March 2018. These notes are convertible at any time by the investor, prior to the note principal and interest being repaid at rates ranging from \$0.006 to \$0.033 per share, subject to change due to a ratchet feature contained in most of the notes.

Issue Date	Maturity Date	Interest rate	Interest rate (default)	Total Principal	Converted	Net Principal
10/02/15	10/02/17	3.85%	18.00%	\$ 617,578	\$ 270,960	\$ 346,618
12/07/15	11/30/17	10.00%	10.00%	250,000	150,000	100,000
02/04/16	08/04/16	5.00%	n/a	15,000	15,000	-
04/26/16	03/30/18	10.00%	18.00%	25,000	25,000	-
04/26/16	03/30/18	10.00%	18.00%	50,000	50,000	-
04/27/16	03/30/18	10.00%	18.00%	300,000	-	300,000
05/13/16	05/13/17	10.00%	22.00%	700,000	64,380	635,620
06/14/16	05/30/17	10.00%	18.00%	75,000	-	75,000
07/21/16	03/30/17	10.00%	10.00%	75,000	-	75,000
08/23/16	02/23/17	10.00%	18.00%	15,000	-	15,000
09/22/16	04/22/17	10.00%	22.00%	225,000	-	225,000
10/18/16	07/18/17	10.00%	18.00%	150,000	-	150,000
01/27/17	01/27/18	10.00%	18.00%	5,000	-	5,000
01/27/17	01/27/18	10.00%	18.00%	5,000	-	5,000
02/02/17	02/02/18	10.00%	18.00%	5,000	-	5,000
02/10/17	02/10/18	10.00%	18.00%	11,666	-	11,666
02/10/17	02/10/18	10.00%	18.00%	11,668	-	11,668
02/14/17	02/14/18	10.00%	18.00%	11,700	-	11,700
02/17/17	02/17/18	10.00%	18.00%	50,000	-	50,000
02/23/17	02/23/18	10.00%	18.00%	50,000	-	50,000
03/15/17	03/15/18	10.00%	18.00%	50,000	-	50,000
03/17/17	03/17/18	10.00%	18.00%	50,000	-	50,000
03/28/17	03/28/18	10.00%	18.00%	50,000	-	50,000
Total Convertible Notes				<u>\$ 2,797,612</u>	<u>\$ 575,340</u>	<u>\$ 2,222,272</u>

(B) Terms of Debt

The debt carries interest between 3.85% and 10%, and is due in October 2017 through March 2018.

All convertible debt in connection with the Notes Offering are convertible at \$0.026 and \$0.033/share (on March 31, 2017), however, the Notes include a "ratchet feature", which allows for a lower conversion price based on market prices.

(C) Future Commitments

At March 31, 2017, the Company has outstanding convertible debt of \$2,222,272 which is payable within the next fifteen months.

(D) Warrants

The Company issued six warrants dated from February to July 2016. Four of the warrants are related to consulting agreements and two are related to convertible note holders. All warrants issued through March 31, 2017 were accounted for as derivative liabilities, as the warrants were not held on reserve at and therefore tainted. See Note 8. Two warrants issued were exercised during the period ended September, 2016. The details are:

Purpose of Warrant Issuance	Issue Date	Number Shares Common Stock	Warrant Exercise Price	Period Warrants Exercisable
Consulting Services	2/22/2016	2,600,000	\$ 0.001	2/22/2016 to 2/22/2019
Exercised	9/9/2016	(2,600,000)		
Website design and Digital Locker app development	3/10/2016	1,916,500	\$ 0.001	3/10/2016 to 3/10/2019
Exercised	9/20/2016	(1,916,500)		
Investor Incentive	4/27/2016	625,000	\$ 0.400	4/27/2016 to (not defined)
Investor Incentive	5/13/2016	350,000	\$ 0.400	5/13/2016 to 5/13/2019
Consulting Services	7/29/2016	525,000	\$ 0.001	7/29/2016 to 7/29/2021
Consulting Services	7/29/2016	225,000	\$ 0.001	7/29/2016 to 7/29/2021
Total		1,725,000		

NOTE 8. DERIVATIVE LIABILITIES

The Company identified conversion features embedded within convertible debt and warrants issued in the period ended March 31, 2017. The Company has determined that the features associated with the embedded conversion option, in the form a ratchet provision, should be accounted for at fair value, as a derivative liability, as the Company cannot determine if a sufficient number of shares would be available to settle all potential future conversion and warrant transactions.

As a result of the application of ASC No. 815, the fair value of the ratchet feature related to convertible debt and warrants is summarized as follow:

	March 31, 2017	June 30, 2016
Carried forward from the prior period ended	\$ 20,143,189	\$
Fair value at the commitment date - convertible debt	\$ 613,957	\$ 6,142,583
Fair value at the commitment date - warrants	359,163	1,541,236
Fair value mark to market adjustment - convertible debt	(15,355,804)	10,641,842
Fair value mark to market adjustment - warrants	(2,062,007)	1,817,529
Reclassified to additional paid in capital	(1,430,749)	
Totals	\$ 2,267,749	\$ 20,143,189

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of March 31, 2017:

	Commitment Date	Re-measurement Date
Expected dividends	0%	0%
Expected volatility	220%	243%
Expected term	0.5 to 5 years	0.00-4.58 years
Risk free interest rate	0.39%-1.14%	0.62%- 1.93%

NOTE 9. CONVERTIBLE DEBT - NET

The Company recorded the debt discount to the extent of the gross proceeds raised, and expensed immediately the remaining fair value of the derivative liability, as it exceeded the gross proceeds of the note.

The Company recorded debt discount of \$318,598 as of March 31, 2017 and \$2,076,912 for the year ended June 30, 2016.

Accumulated amortization of debt discount amounted to \$1,161,979 as of March 31, 2017 and \$487,399 for the year ended June 30, 2016. The Company recorded amortization expense of the debt issuance cost of \$1,161,979 as of March 31, 2017 and \$487,399 for the year ended June 30, 2016.

	March 31, 2017	June 30, 2016
Balance Prior Year	\$ 443,065	\$ 85,000
Proceeds	872,604	2,032,578
Repayments	(581,112)	(85,000)
Less: gross Debt Discount recorded	(318,598)	(2,076,912)
Add: Amortization of Debt Discount	1,161,979	487,399
Less Current portion	(602,671)	(108,953)
Long-Term Convertible Debt	\$ 975,267	334,112

NOTE 10. STOCKHOLDERS' EQUITY (DEFICIT)

Shares Authorized

On December 15, 2015, the Company filed Articles of Amendment to authorize 300,000,000 shares of common stock, par value \$0.001 per share, authorize 20,000,000 shares of preferred stock, par value \$0.001 per share and to effectuate a 1 for 11 forward stock split. All common stock and per share data for the period presented in this Quarterly Report on Form 10-Q has been adjusted to give effect to the forward stock split.

Preferred Stock

The Company has authorized 20,000,000 preferred shares with a par value of \$0.001 per share. The Board of Directors is authorized to divide the authorized shares of Preferred Stock into one or more series, each of which shall be so designated as to distinguish the shares thereof from the shares of all other series and classes. As of March 31, 2017, the Board of Directors has not designated any classes of Preferred Stock and there are no shares of Preferred Stock issued or outstanding.

Common Stock Issued

For the nine-month period ended March 31, 2017, 53,654,995 shares of common stock were issued and 27,617,226 shares of common stock were returned by or former Chief Executive Officer and cancelled upon his resignation, bringing the total shares issued and outstanding to 79,370,345.

On February 3, 2017, the Company issued 2,533,104 shares of its common stock to Bezael Partners, LLC in conversion of \$35,969.76 of the purchaser's convertible note payable principal and \$7,433.00 in interest. The original issuance date of the \$164,359.76 note payable was October 2, 2015. The conversion price of the note was stated at \$0.017. The proceeds reduced Convertible Notes Payable to 43,402.76. This debt is now fully settled.

On February 8, 2017, the Company issued 4,480,000 shares of its common stock to Edgestone Associates, Inc. in conversion of \$26,880.00 of the purchaser's convertible note payable. The original issuance date of the \$ 700,000.00 note payable was May 13, 2016. The conversion price of the note was stated at 50% multiplied by the Market Price, defined as the lowest Trading Price for the Common Stock during the twenty (20) Trading Day period ending on the last complete Trading Day prior to the Conversion Date. The proceeds reduced Convertible Notes Payable \$26,880.00.

On March 1, 2017, the Company issued 3,00,000 shares of its common stock with a value of \$0.0118 per common share to William Singer in connection with VP of Sales services performed in 2016.

On March 1, 2017, Robert Gruder returned 27,617,226 shares of the Company's common stock to treasury.

On March 10, 2017, the Company issued 1,494,612 shares of its common stock to Atlanta Capital Partners, LLC in conversion of \$15,000.00 of the purchaser's convertible note payable plus \$833.00 of interest. The original issuance date of the \$ 15,000.00 note payable was August 23, 2016. The conversion price of the note was stated at 75% of the volume weighted average price of the Company's common stock for a 5-day period prior to the conversion date. The proceeds reduced Convertible Notes Payable \$15,833.00. This debt is now fully settled.

On March 30, 2017, the Company issued 5,660,377 shares of its common stock to St. George Investments LLC in conversion of \$30,00.00 of the purchaser's convertible note payable. The original issuance date of the \$225,000.00 note payable was September 22, 2016. The conversion price of the note was stated at \$0.026 per common share. The proceeds reduced Convertible Notes Payable \$30,000.00.

On January 12, 2017, in conjunction with his resignation as the Company's Chief Executive Officer and a director, Robert Gruder agreed to cancel 27,617,226 shares of the Company's common stock issued to him in connection with the acquisition of Klear Kapture.

NOTE 11. STOCK INCENTIVE PLAN

On April 20, 2016, the Company adopted the Life Clips, Inc. 2016 Stock and Incentive Plan under which the Company may issue nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock grants and units, performance units and awards of cash. A maximum of 20,000,000 shares of common stock may be issued under the plan. Awards under the plan will be made at the discretion of the Board of Directors, although no awards have been made to date. Accordingly, the Company cannot currently determine the amount of awards that may be made under the plan.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Acquisition of Butterfly Energy, Ltd

On June 10, 2016, we entered into a Stock Purchase Agreement with Butterfly Energy Ltd. (“Butterfly”), and all of its shareholders. On July 11, 2016, the transaction closed (the “Butterfly Closing Date”). The transaction closed on July 11, 2016. Under the terms of the Stock Purchase Agreement, the Company acquired all of the outstanding capital stock of Butterfly in exchange for the following consideration:

- (i) \$1,000,000 in cash, of which \$450,000 was paid at closing, with the remainder paid in installments on the dates that are 12 months and 16 months after the Butterfly Closing Date;
- (ii) a promissory note and stock pledge agreement issued by the Company payable to the Butterfly Shareholders in the amount of \$500,000 payable in two installments of \$250,000 on each of October 6, 2016 and \$250,000 on February 13, 2017 (the “Butterfly Promissory Note”);
- (iii) 10,000,000 shares of the Company’s unregistered common stock issued to the Butterfly shareholders, with 5,000,000 shares being issued to the Butterfly shareholders at Butterfly Closing Date, and the remaining 5,000,000 shares being held in escrow, to be released 50% on the one year anniversary of the Butterfly Closing Date, and 50% on the date that the Company has sold an aggregate of 1,000,000 units of Butterfly’s products; and
- (iv) quarterly payments of cash, up to an aggregate amount of \$2,000,000, based on the number of Butterfly’s products sold by the Company after the Butterfly Closing Date.

On January 11, 2017, the Company received a default notice related to the Company’s failure to make any payments on the Butterfly Promissory Note. In addition, the default notice states that the Company owes \$20,000 in aggregate to two of the Butterfly shareholders related to consulting fees associated with the Butterfly acquisition. Finally, the default notice states that a payment of \$250,000, as well as an additional payment of \$20,000 must be paid by January 23, 2017. The Company did not make the payments demanded and is currently in discussions with the Butterfly shareholders regarding the matters asserted in the default notice.

HP Trademark License Agreement Termination

On March 30, 2017, the Company entered into a termination agreement with HP whereby they terminated the Trademark License Agreement. Pursuant to the terms of the termination agreement, the Company agreed to pay HP \$62,500.00 by July 15, 2017 and \$62,500.00 by October 15, 2017. As of March 30, 2017, the Company agreed to refrain from using any HP trademarks on any products and confirmed that the Company did not have any HP Branded Products in its inventory.

Management Agreements

Huey Long

In connection with his engagement as the Chief Executive Officer of the Company, the Company entered into an Executive Employment Agreement with Huey Long (the “Agreement”) on February 2, 2017. The Agreement is for a one year term, which automatically renews for successive additional one-year terms unless either Mr. Long or the Company notifies the other party that they do not wish the Agreement to so renew. The Agreement provides that Mr. Long will serve as the Company’s Chief Executive Officer and as a member of the Board.

Pursuant to the Agreement, the Company will pay Mr. Long a salary of \$300,000 annually, payable on a monthly basis with the first payment due on February 7, 2017. In addition, the Company granted to Mr. Long, effective as of February 2, 2017, a total of 15,500,000 shares of the Company’s unregistered common stock, par value \$0.001 per share (the “Common Stock”) via two stock grants, one for 15,000,000 shares of unregistered Common Stock and one for 500,000 shares of unregistered Common Stock. 3,750,000 shares of Common Stock in the first grant will vest on August 2, 2017 and 3,750,000 shares of Common Stock in the first grant will vest on February 2, 2018. The balance of 7,500,000 shares of Common Stock will thereafter vest pro rata over the following 12 months.

The 500,000 shares in the second grant will vest shall vest on the Company achieving positive cash flow and meeting such other goals as determined by the Board.

The Agreement also provides that Mr. Long will be granted (i) 500,000 additional shares of stock (provided that the Board may increase this number) on each anniversary of the commencement of the agreement, with such shares to vest 50% on the first anniversary of such grant and 50% to vest on the second anniversary of such grant and (ii) each, year, in the event that Mr. Long does not at that time own 10% of the number of shares of Common Stock outstanding (counting all prior stock grants as vested), a number of shares of Common Stock sufficient to bring Mr. Long up to such 10% ownership.

If Mr. Long's engagement is terminated by the Company without "Cause," or by Mr. Long for "Good Reason," (in each case as defined the employment agreement) then a portion of the stock grants described above equal to a pro rata portion of the grants based on the time from February 2, 2017 to the date of termination, and assuming a 24-month vesting period, shall be deemed vested, and all other amounts shall be forfeited. If Mr. Long's engagement is terminated by the Company with "Cause" or by Mr. Long without "Good Reason," then all unvested portions of the stock grants described above as of the date of termination shall be forfeited.

Victoria Rudman

In connection with her engagement as the Chief Financial Officer of the Company which became effective on January 16, 2017, the Company and Ms. Rudman are in the process of entering into a formal agreement that will provide for payment of fees of \$5,000 per month in cash with a stock incentive component. No definitive agreement has been completed as of March 31, 2017.

William Singer

In connection with his engagement as the Executive Vice President of Sales and Marketing of the Company, the Company entered into an Executive Employment Agreement with William Singer (the "Agreement") on March 1, 2017. The Agreement is for a two-year term, which automatically renews for successive additional one-year terms unless either Mr. Singer or the Company notifies the other party that they do not wish the Agreement to so renew. The Agreement provides that Mr. Singer will serve as the Company's Executive Vice President of Sales and Marketing and as a member of the Board. Pursuant to the Agreement, the Company will pay Mr. Singer a salary of \$3,500 per month, which commenced effective as of February 1, 2017, provided that following the month in which the Company begins generating revenue Mr. Singer's salary will be increased to \$5,000 per month. Mr. Singer will also receive a commission of 1% of any net sales revenue collected by the Company on the sales of its products, based on the wholesale price, and contingent on the sale being profitable to the Company, and will be eligible for a bonus as jointly determined by the Board and Mr. Singer.

In addition, the Company granted to Mr. Singer, effective as of March 1, 2017, a total of 6,000,000 shares of the Company's unregistered common stock, par value \$0.001 per share (the "Common Stock"). 1,500,000 shares of the Common Stock will vest on March 1, 2018 and thereafter 250,000 shares of the Common Stock will vest each month thereafter.

Pursuant to the Agreement, the Company also agreed to grant Mr. Singer 500,000 shares of Common Stock on each anniversary of March 1, 2017, provided that the amount of these shares of Common Stock will be based on performance and may be adjusted by the Board. The shares of Common Stock in these grants will vest 50% on each anniversary of the applicable grant.

If Mr. Singer's engagement is terminated by the Company without "Cause," or by Mr. Singer for "Good Reason," (in each case as defined in the employment agreement) then a portion of the stock grants described above equal to a pro rata portion of the grants based on the time from the date of the grant to the date of termination, and assuming a 24-month vesting period, shall be deemed vested, and all other amounts shall be forfeited. If Mr. Singer's engagement is terminated by the Company with "Cause" or by Mr. Singer without "Good Reason," then all unvested portions of the stock grants described above as of the date of termination shall be forfeited.

Litigation

From time to time we may be a defendant and/or plaintiff in various other legal proceedings arising in the normal course of our business. We are currently not a party to any material legal proceedings or government actions, including any bankruptcy, receivership, or similar proceedings. In addition, we are not aware of any known litigation or liabilities involving the operators of our properties that could affect our operations. Furthermore, as of the date, our management is not aware of any proceedings to which any of our directors, officers, or affiliates, or any associate of any such director, officer, affiliate, or security holder is a party adverse to our company or has a material interest adverse to us.

NOTE 13. SUBSEQUENT EVENTS

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date of the issuance of the financial statements.

On April 6, 2017, the Company entered into a Warrant Settlement Agreement with St. George Investments LLC ("Holder"). Effective as of September 22, 2016, the Company issued to the Holder a warrant to purchase shares of the Company's common stock (the "Warrant") pursuant to that certain Securities Agreement dated September 22, 2016 between Company and Holder (the "Purchase Agreement"). Upon the Company's request, Holder agreed to cancel the Warrant in exchange for a payment in the amount of \$20,000.00 (the "Settlement Payment") as full payment for and satisfaction of the Company's obligations under the Warrant.

Issuances of Common Stock

On April 7, 2017, the Company issued 3,685,000 shares of its unrestricted common stock upon conversion of \$11,608 principal amount and zero interest of its convertible note payable.

On April 12, 2017 8,731,618 shares of its unrestricted common stock upon conversion of \$43,209 principal amount and zero interest of its convertible note payable.

On April 20, 2017 5,236,276 shares of its unrestricted common stock upon conversion of \$16,494 principal amount and zero interest of its convertible note payable.

On April 24, 2017 3,889,146 shares of its unrestricted common stock upon conversion of \$11,862 principal amount and zero interest of its convertible note payable.

On April 25, 2017 14,777,637 shares of its unrestricted common stock upon conversion of \$52,762 principal amount and zero interest of its convertible note payable.

On May 2, 2017 8,978,121 shares of its unrestricted common stock upon conversion of \$27,763 principal amount and zero interest of its convertible note payable.

On May 9, 2017 12,525,486 shares of its unrestricted common stock upon conversion of \$30,294 principal amount and zero interest of its convertible note payable.

Item 2. Management’s discussion and analysis of financial condition and results of operations.

This report contains forward-looking statements. The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company’s future prospects and make informed investment decisions. This report and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management’s plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” “will” and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results.

We caution that the factors described herein and other factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

General

Life Clips, Inc. (the “Company”) was incorporated in Wyoming on March 20, 2013 as Blue Sky Media Corporation and its principal business was developing, financing, producing and distributing motion pictures and related entertainment products. Following the Company’s October 2, 2015 acquisition of Klear Kapture, Inc. (“Klear Kapture”), the Company continued Klear Kapture’s business of developing a body camera and an auditable software solution suitable for use by law enforcement. The Company changed its name to Life Clips, Inc. on November 3, 2015 in order to better reflect its business operations at the time.

On July 11, 2016, the Company completed its previously announced acquisition (the “Acquisition”) of all of the outstanding equity securities of Butterfly Energy Ltd. (“Butterfly”), an Israel-based corporation that develops and distributes a single-use, cordless battery under the brand name Mobeego for use with cellular phones and other mobile devices. Butterfly is now a wholly-owned subsidiary of the Company. The Acquisition was completed pursuant to a Stock Purchase Agreement, dated as of June 10, 2016 (the “Purchase Agreement”), among the Company, Butterfly and all of the shareholders of Butterfly, as amended.

Our Company is focused on developing three synergistic businesses:

- Expanding the Mobeego line of mobile accessories.
- Global Sourcing Services that includes product design, factory identification, negotiations, compliance qualification, and end-to-end logistics solutions to source products anywhere in the world.
- Sales and marketing services that provide an efficient path for companies to launch and market product into multi-channel retail and capture the maximum return on investment.

The following is a description of recent transactions entered into by the Company and its key distributors:

On April 7, 2017, the Company entered into a five-year authorized sales representative agreement to provide global sales and marketing to Textiss USA (Textiss), a California Corporation, for its Crazyboxer line of men’s underwear (the “Products”). Textiss is a global leader in the textile and garment industry with a specialization in the design, production, and distribution of underwear. Over the five-year contract, the Company will carry out worldwide multi-channel retail sales and marketing for Textiss for the following accounts: Costco, HSN, Sam’s Club, Wal-Mart, Target, Nordstrom’s Rack, Amazon.com, Walmart.com, Jet.com, Boxed.com, Costco.com, Samsclub.com, Target.com, Zappos.com and Nordstrom.com. With respect to each signed contract with a customer for the sale of the Products, the Company will be entitled to the following commission:

1. For retail stores (brick and mortar) the commission will be 5% of Net Revenue (as defined below) received from the retailer;
2. For online stores managed by the Company, the commission rate will be 10% of Gross Revenue, minus returns.
3. “Net Revenue” shall be (i) gross revenue paid to the Company from the customer, less (ii) the cost of goods sold, any market development funds (as agreed to by the Company) and product returns. The Company shall receive a monthly accounting of all sales activity and commissions, and commissions shall be payable within the (10) days of the end of each month for all sales in the preceding proceeding month.

The Company and Textiss will have the option to extend the initial five-year term for additional periods of one-year each at the end of the Initial Term or any Renewal Term.

On April 12, 2017, the Company's Mobeego battery products became available on Amazon.com. Mobeego™ is an affordable, single-use, cordless battery that provides an instant shot of power for your phone, so you can stay mobile whenever and wherever. After use, the battery can be discarded or recycled. Mobeego batteries are great for emergency preparedness, since they can be stored up to 10 years without any power leaking. Each package contains a battery and a reusable smartphone adaptor.

The Mobeego products available from the Company on Amazon.com include: the Mobeego Single Shot Starter Kit that includes an iPhone or USB reusable adaptor and single battery providing up to 4 hours of additional power. Additional batteries are also available in 3 packs and 6 packs. The Mobeego products are eligible for free shipping with an Amazon Prime membership.

On April 19, 2017, the Company entered into a distribution agreement with Misaki Corporation ("Misaki"), organized under the laws of Tokyo, Japan. It is a royalty free, non-exclusive one-year contract with a distributor to sell Mobeego products in Japan. The contract granted Misaki the non-transferable right to promote, market and resell Mobeego products and will be automatically renewed for one additional year, provided Misaki has performed all of its commitments and obligations. The terms of the contract require Misaki to pay 50% of each accepted order in advance and 50% on delivery.

On May 3, 2017, the Company entered into a distribution agreement with Axperrt Company Limited ("Axpert"), organized under the laws of Republic of China. It is a royalty free, non-exclusive one-year contract with a distributor to sell Mobeego products throughout Asia, New Zealand, Singapore, the Philippines, India, Indonesia, Cambodia and Vietnam. The contract grants Axpert the non-transferable right to promote, market and resell Mobeego products and will be automatically renewed for one additional year, provided Axpert has performed all of its commitments and obligations. The terms of the contract require Axpert to pay 50% of each accepted order in advance and 50% on delivery.

Recent Developments

In January 2017, Robert Gruder, the Company's former Chief Executive Officer and a director and Robert Finnigan, the Company's former President resigned their positions with the Company. In January 2017, Victoria Rudman took on the role of Chief Financial Officer and director. In February 2017 Huey Long joined the Company as its Chief Executive Officer and in March 2017 William Singer was named the Company's Executive Vice President of Sales.

On January 11, 2017, the Company received a default notice related to the Company's failure to make any payments on the \$500,000 promissory note issued to the Butterfly shareholders (the "Butterfly Promissory Note"). In addition, the default notice states that the Company owes \$20,000 in aggregate to two of the Butterfly shareholders related to consulting fees associated with the Butterfly acquisition. Finally, the default notice states that a payment of \$250,000, as well as an additional payment of \$20,000 must be paid by January 23, 2017. The Company did not make the payments demanded and is currently in discussions with the Butterfly shareholders regarding the matters asserted in the default notice.

On March 30, 2017, the Company entered into a termination agreement with HP Inc. ("HP") whereby they terminated the Trademark License Agreement they entered into as of September 15, 2016 (the "Trademark Agreement").

Significant Accounting Policies

Please see Note 2 to the Company's unaudited financial statements as of and for the three and nine months ended March 31, 2017 included in this Quarterly Report for a discussion of the Company's significant accounting policies.

Results of Operations for the Three and Nine Months Ended March 31, 2017 and March 31, 2016

For the three months ended March 31, 2017 and 2016, we had gross profit of \$(10,541) and \$534 respectively. Revenues were \$3,662 net of COGS of \$14,203.

Total operating expenses were \$232,908 compared with \$163,627 for the three months ended March 31, 2017 and 2016, respectively. The increase is directly related to higher professional fees and other G&A expenses.

Net income for the three months ended March 31, 2017 was \$485,271 as compared to net loss of \$194,215 at March 31, 2016.

For the nine months ended March 31, 2017 and 2016, we had gross profit of \$21,355 and \$534 respectively. Revenues were \$89,827 net of COGS of \$68,472.

Total operating expenses were \$2,467,381 compared with \$366,049 for the nine months ended March 31, 2017 and 2016, respectively. The increase is primarily due to an increase in professional fees and stock issuances for professional services.

Net income for the nine months ended March 31, 2017 was \$4,025,574 as compared to net loss of \$5,239,226 at March 31, 2016. The increased net income was primarily due to calculations of SFAS 123R, which requires that companies use a fair value method to value stock options and other forms of share-based payments and recognize the related compensation expense in calculating net earnings. SFAS 123R applies to all companies that have issued stock options and other stock-based compensation, whether the firm is a large public company with actively traded, liquid stock, a public company whose stock is thinly traded, or a private company.

Liquidity and Capital Resources

Liquidity is the ability of an enterprise to generate adequate amounts of cash to meet its needs for cash requirements. As of the period ending March 31, 2017 the Company had cash on hand of \$172,188, total current assets of \$172,188 and total assets of \$251,540, total liabilities of \$4,777,652 and total shareholder's deficit of \$4,526,212.

The Company's cash was generated from a series of convertible notes issued to non-related third parties, and a \$30,000 promissory note to a non-related third party and a \$500,000 short-term promissory note as part of the acquisition of Butterfly Energy LTD. The Company plans to raise additional working capital via additional notes or equity sales to ensure that it will have enough cash to fund its primary operation for the next twelve (12) months.

The Company has no agreements in place with its shareholders, officer and director or with any third parties to fund operations beyond the end of the Company's March 31, 2017 period ended. The Company has not negotiated nor has available to it any other third party sources of liquidity.

Cash flows used by operating activities for the nine months period ended March 31, 2017 were \$1,064,279 compared to cash flows used in operating activities of \$420,462 to the nine months period ended March 31, 2016.

Cash flows used in investing activities totaled \$32,500 for the nine months period ended March 31, 2017 and \$51,892 for the nine months period ended March 31, 2016.

Cash flows provided by financing activities totaled \$800,034 for the nine months period ended March 31, 2017 and cash flows provided by financing activities totaled \$487,577 for the nine months period ended March 31, 2016.

Off-Balance Sheet Arrangements

The Company has no current off-balance sheet arrangements and does not anticipate entering into any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and chief financial officer are responsible for establishing and maintaining our disclosure controls and procedures. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information we are required to disclose in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to ensure that information required to be disclosed by us in those reports is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our chief executive officer and chief financial officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2015. Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the evaluation date, such controls and procedures were not effective.

Changes in internal controls

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1 A. Risk Factors

Smaller reporting companies are not required to provide the information required by this item.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On February 3, 2017, the Company issued 2,533,104 shares of its common stock to Bezalel Partners, LLC in conversion of \$35,969.76 of the purchaser's convertible note payable principal and \$7,433.00 in interest at a conversion price of \$0.017 per share.

On February 8, 2017, the Company issued 4,480,000 shares of its common stock to Edgestone Associates, Inc. in conversion of \$26,880.00 of the purchaser's convertible note payable at a conversion price of \$0.006 per share.

On March 1, 2017, the Company issued 3,00,000 shares of its common stock with a value of \$0.0118 per common share to William Singer in connection with VP of Sales for services performed in 2016.

On March 10, 2017, the Company issued 1,494,612 shares of its common stock to Atlanta Capital Partners, LLC in conversion of \$15,000.00 of the purchaser's convertible note payable plus \$833.00 of interest at a conversion price of \$0.01058 per share.

On March 30, 2017, the Company issued 5,660,377 shares of its common stock to St. George Investments LLC in conversion of \$30,00.00 of the purchaser's convertible note payable at a conversion price of \$0.0053 per share.

These shares of our common stock were issued in reliance on the exemption from registration provided by Sections 4(a)(2) and 3(a)(9) of the Securities Act of 1933, as amended (the "Securities Act").

Item 3. Defaults upon Senior Securities

On January 11, 2017, the Company received a default notice related to the Company's failure to make any payments on the \$500,000 promissory note issued to the Butterfly shareholders (the "Butterfly Promissory Note"). In addition, the default notice states that the Company owes \$20,000 in aggregate to two of the Butterfly shareholders related to consulting fees associated with the Butterfly acquisition. Finally, the default notice states that a payment of \$250,000, as well as an additional payment of \$20,000 must be paid by January 23, 2017. The Company did not make the payments demanded and is currently in discussions with the Butterfly shareholders regarding the matters asserted in the default notice.

In addition, see Note 7 to the financial statements included in Item 1 to this Quarterly Report on Form 10-Q, which is incorporated herein by this reference.

Item 4. Mining Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Number	Exhibit
2.1	Share Exchange Agreement dated as of October 2, 2015 by and among Blue Sky Media Corp., Wayne Berian, Hannah Grabowski, and Klear Kapture, Inc. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on October 8, 2015).
2.2	Stock Purchase Agreement by and among Butterfly Energy Ltd., Life Clips, Inc. and the Shareholders of Butterfly Energy Ltd., dated as of June 10, 2016 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on June 14, 2016).
2.2	Amendment No. 1 to Stock Purchase Agreement by and among Butterfly Energy Ltd., Life Clips, Inc. and the Shareholders of Butterfly Energy Ltd., dated as of June 30, 2016 (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on July 7, 2016).
3.1(a)	Articles of Incorporation of Blue Sky Media Corporation filed with the Wyoming Secretary of State on March 20, 2013 (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-1/A (SEC File No. 333-198828) filed on November 14, 2014).
3.1(b)	Amended Articles of Incorporation filed with the Wyoming Secretary of State on November 3, 2015 (incorporated by reference to Exhibit 3.1.2 to the Company's Registration Statement on Form S-1 (SEC File No. 333-213129) filed on August 15, 2016).
3.1(c)	Articles of Amendment to Articles of Incorporation of Life Clips, Inc. filed with the Wyoming Secretary of State on December 15, 2015 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on February 22, 2016).
3.1(d)	Restated Articles of Incorporation of Life Clips, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on April 21, 2016).
3.2(a)	Amended Bylaws (incorporated by reference to Exhibit 3.02 to the Company's Current Report on Form 8-K filed on August 31, 2016).
3.2(b)	Bylaws (incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-1 (SEC File No. 333-198828) filed on September 19, 2014).
4.1	Form of Secured Convertible Promissory Note (Incorporated by reference to Exhibit A to Securities Purchase Agreement filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 8, 2015).

- 4.2 Secured Convertible Promissory Note, dated December 7, 2015, issued by Life Clips, Inc. to Susannah Forest (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on December 31, 2015).
- 4.3 Form of Convertible Promissory Note for April 22, 2016 Notes. (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-1 (SEC File No. 333-213129) filed on August 15, 2016).
- 4.4 Convertible Promissory Note, dated April 27, 2016, issued by Life Clips, Inc. to Susannah Forest (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 3, 2016).
- 4.5 Warrant, dated April 27, 2016, issued by Life Clips, Inc. to Susannah Forest (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 3, 2016).
- 4.6 Convertible Promissory Note, dated May 13, 2016, issued by Life Clips, Inc. to Edgestone Associates, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 17, 2016).
- 4.7 Warrant, dated May 13, 2016, issued by Life Clips, Inc. to Edgestone Associates, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on May 17, 2016).
- 10.1 Services Agreement entered into as of October 2, 2015 by and between Wayne Berian, Hannah Grabowski and Blue Sky Media Corp. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 8, 2015).
- 10.2 Securities Purchase Agreement dated as of October 2, 2015, by and between Blue Sky Media Corp. and buyers identified on the signature pages to such agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 8, 2015).
- 10.3 Form of Registration Rights Agreement (Incorporated by reference to Exhibit B to Securities Purchase Agreement filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 8, 2015).
- 10.4 Consulting Services Agreement entered into as of October 1, 2015 by and between Newbridge Financial, Inc. and Blue Sky Media Corp. (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed on October 8, 2015).
- 10.5 Securities Purchase Agreement, dated as of December 7, 2015, between Life Clips, Inc. and Susannah Forest (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on December 31, 2015).
- 10.6+ Life Clips, Inc. 2016 Stock and Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on April 21, 2016).
- 10.7 Addendum to Securities Purchase Agreement, dated as of April 27, 2016, between Life Clips, Inc. and Susannah Forest (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 3, 2016).
- 10.8 Piggy-Back Registration Rights Agreement, dated May 13, 2016, between Life Clips, Inc. and Edgestone Associates, Inc. (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on May 17, 2016).
- 10.9 Lock-up Agreement, dated June 9, 2016, between the Company and Taconic Group, LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on June 14, 2016).
- 10.10 Promissory Note and Stock Pledge Agreement, dated July 11, 2016, issued by Life Clips, Inc. to Nataly Assis, Ofer Hasid, Elad Ronen, Shirel Dahan and Cytex Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 12, 2016).
- 10.11 Form of Subscription Agreement to be used with Registration Statement (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form S-1 (SEC File No. 333-213129) filed on August 15, 2016).
- 10.12 Mobeego Exclusive Distribution Agreement between Butterfly Energy, Ltd. and Instant Power dated July 5, 2016 (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form S-1 (SEC File No. 333-213129) filed on August 15, 2016)

- 10.13 Mobeego Exclusive Import & Distribution Agreement between Butterfly Energy, Ltd. and Mobeego Scotland Ltd. dated January 1, 2016 (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form S-1 (SEC File No. 333-213129) filed on August 15, 2016)
- 10.14 Trademark License Agreement between Life Clips, Inc. and HP, Inc. dated September 15, 2016 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 22, 2016).
- 10.15+ Executive Employment Agreement, dated as of February 2, 2017, by and between Life Clips, Inc. and Huey Long (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on February 7, 2017).
- 10.16+ Executive Employment Agreement, dated as of March 1, 2017, by and between Life Clips, Inc. and William Singer (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 7, 2017).
- 31.1* Certification of the Chief Executive Officer, as the principal executive officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted in accordance with section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2* Certification of the Chief Financial Officer, as the principal financial and accounting officer, pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted in accordance with section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1* Certification of the Chief Executive Officer, as the principal executive officer and the principal financial officer, under 18 U.S.C. Section 1350, as adopted in accordance with Section 906 of the Sarbanes-Oxley Act of 2002.
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

+ Management contract or compensatory plan or arrangement.

SIGNATURES

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

Dated: May 19, 2017

LIFE CLIPS, INC.

By: /s/ Huey Long

Huey Long,
Chief Executive Officer (Principal Executive Officer)

By: /s/ Victoria Rudman

Victoria Rudman,
Chief Financial Officer (Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Huey Long certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 of Life Clips, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have;
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure the material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 19, 2017

/s/ Huey Long

Huey Long

Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Victoria Rudman certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2017 of Life Clips, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the period presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure the material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: May 19, 2017

/s/ Victoria Rudman

Victoria Rudman

Chief Financial Officer (Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Life Clips, Inc. (the Company”) for the quarterly period ended March 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Huey Long, Chief Executive Officer of the Company and Victoria Rudman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of our knowledge and belief:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition of the registrant at the end of the period covered by this report and results of operations of the registrant for the period covered by this report.

Dated: May 19, 2017

/s/ Huey Long

Huey Long
Chief Executive Officer

/s/ Victoria Rudman

Victoria Rudman
Chief Financial Officer
