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

FORM 10-Q

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

For the quarterly period ended **February 28, 2018**

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _______ to _______

SEC File No. 024-10557

SHIFTPIXY, INC.

(Exact name of registrant as specified in its charter)

Wyoming	**47-4211438**
(State of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Venture Suite 150, Irvine CA	**92618**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: **(888) 798-9100**

N/A
(Former name, former address and former three months, 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☒
Emerging growth company	☒		

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

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

The number of outstanding shares of Registrant's Common Stock, $0.0001 par value, was 28,800,676 shares as of April 10, 2018.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

This Quarterly Report on Form 10-Q, the other reports, statements, and information that we have previously filed or that we may subsequently file with the Securities and Exchange Commission ("SEC"), and public announcements that we have previously made or may subsequently make include, may include, incorporate by reference or may incorporate by reference certain statements that may be deemed to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and are intended to enjoy the benefits of that act. Unless the context is otherwise, the forward-looking statements included or incorporated by reference in this Form 10-Q and those reports, statements, information and announcements address activities, events or developments that ShiftPixy, Inc. (hereinafter referred to as "we," "us," "our," "our Company" or "ShiftPixy") expects or anticipates, will or may occur in the future. Any statements in this document about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "will continue," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," and similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. All forward-looking statements concerning economic conditions, rates of growth, rates of income or values as may be included in this document are based on information available to us on the dates noted, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results may differ materially from those in such forward-looking statements due to fluctuations in interest rates, inflation, government regulations, economic conditions and competitive product and pricing pressures in the geographic and business areas in which we conduct operations, including our plans, objectives, expectations and intentions and other factors discussed elsewhere in this Report.

Certain risk factors could materially and adversely affect our business, financial conditions and results of operations and cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, and you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. The risks and uncertainties we currently face are not the only ones we face. New factors emerge from time to time, and it is not possible for us to predict which will arise. There may be additional risks not presently known to us or that we currently believe are immaterial to our business. In addition, we cannot assess the impact of each factor on our business 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. If any such risks occur, our business, operating results, liquidity and financial condition could be materially affected in an adverse manner. Under such circumstances, you may lose all or part of your investment.

The industry and market data contained in this report are based either on our management's own estimates or, where indicated, independent industry publications, reports by governmental agencies or market research firms or other published independent sources and, in each case, are believed by our management to be reasonable estimates. However, industry and market data is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market shares. We have not independently verified market and industry data from third-party sources. In addition, consumption patterns and customer preferences can and do change. As a result, you should be aware that market share, ranking and other similar data set forth herein, and estimates and beliefs based on such data, may not be verifiable or reliable.

Our Management's Discussion & Analysis of Financial Condition and Results of Operations (MD&A) includes references to our performance measures presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and other non-GAAP financial measures that we use to manage our business, make planning decisions and allocate resources. Refer to the Non-GAAP Financial Measures within our MD&A for definitions and reconciliations from GAAP measures.

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PART I — FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ShiftPixy, Inc.
Condensed Consolidated Balance Sheets

	February 28, 2018 (Unaudited)	August 31, 2017
ASSETS		

Current Assets		
Cash and cash equivalents	$ 904,421	$ 5,896,705
Accounts receivable	191,910	428,790
Prepaid expenses	2,780,159	2,687,188
Other current assets	33,279	15,916
Total Current Assets	3,909,769	9,028,599
Fixed assets, net	1,061,901	288,065
Deposits and other assets	158,415	126,480
Total Assets	$ 5,130,085	$ 9,443,144

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accounts payable	$ 1,359,927	$ 1,160,474
Payroll related liabilities	3,329,263	2,388,454
Other current liabilities	688,311	278,982
Total Current Liabilities	5,377,501	3,827,910
Commitments and Contingencies		
Stockholders'(Deficit)Equity		
Preferred stock, 50,000,000 authorized shares; $0.0001 par value; no shares issued and outstanding	-	-
Common stock, 750,000,000 authorized shares; $0.0001 par value; 28,800,676 and 28,762,424 shares issued and outstanding, respectively	2,881	2,877
Additional paid-in capital	15,210,030	15,012,584
Accumulated deficit	(15,460,327)	(9,400,227)
Total Stockholders'(Deficit) Equity	(247,416)	5,615,234
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,130,085	$ 9,443,144

See accompanying notes to the unaudited interim condensed consolidated financial statements.

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ShiftPixy Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the Three Months Ended February 28,		For the Six Months Ended February 28,	
	2018	**2017**	**2018**	**2017**
		(Restated)		**(Restated)**
Revenues (gross billings of $48.6m and $30.8 m less worksite employee payroll cost of $40.8m and $25.3m, respectively for the three months ended; gross billings of $88.8m and $65.8m less worksite employee payroll cost of $74.4m and $54.8m, respectively for six months ended)	$ 7,886,459	$ 5,408,743	$ 14,398,378	$ 11,090,419
Cost of Revenues	7,007,315	4,302,972	12,273,718	8,033,525
Gross Profit	879,144	1,105,771	2,124,660	3,056,894
Operating Expenses				
Payroll	1,372,403	906,484	2,623,188	1,837,475
Commissions	338,434	201,282	610,065	304,583
Professional fees	508,787	282,966	1,001,242	452,593
Product development	486,354	-	2,386,354	-
General and administrative	892,049	675,391	1,563,911	1,044,496
Total Operating Expenses	3,598,027	2,066,123	8,184,760	3,639,147
Net Loss	$ (2,718,883)	$ (960,352)	$ (6,060,100)	$ (582,253)
Net Loss per common share available to Common Shareholders:				
Basic and Diluted	$ (0.09)	$ (0.04)	$ (0.21)	$ (0.02)
Weighted Average Number of Common Shares Used in Per Share Computations:				
Basic and Diluted	28,800,630	26,227,935	28,792,333	26,220,789

See accompanying notes to the unaudited interim condensed consolidated financial statements.

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ShiftPixy, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the Six Months Ended	
	February 28, 2018	February 28, 2017
		(Restated)
OPERATING ACTIVITIES		
Net Loss	$ (6,060,100)	$ (582,253)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	75,644	32,673
Stock issued for services	50,354	-
Stock based compensation	97,096	-
Changes in Operating Assets and Liabilities		
Accounts receivable	236,880	(66,799)
Prepaid expenses	(92,971)	(656,857)
Other current assets	(17,363)	(10,529)
Deposits and other assets	(31,935)	(27,927)
Accounts payable	199,453	(388,641)
Payroll related liabilities	940,809	435,251
Other current liabilities	409,329	446,266

Net cash used in operating activities	(4,192,804)	(818,816)
INVESTING ACTIVITIES		
Purchase of fixed assets	(849,480)	(4,661)
Net cash used in investing activities	(849,480)	(4,661)
FINANCING ACTIVITIES		
Proceeds from exercise of warrants	50,000	-
Proceeds from sale of common stock	-	527,000
Net cash provided by financing activities	50,000	527,000
Net decrease in cash and cash equivalents	(4,992,284)	(296,477)
Cash and cash equivalents at Beginning of Period	5,896,705	868,532
Cash and cash equivalents at End of Period	$ 904,421	$ 572,055

See accompanying notes to the unaudited interim condensed consolidated financial statements.

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ShiftPixy, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)
February 28, 2018

Note 1: Nature of Operations

ShiftPixy, Inc. (the "Company") was incorporated in the State of Wyoming on June 3, 2015. The Company is a specialized staffing and human capital management service provider that provides solutions for large contingent part-time workforce demands, primarily in the restaurant, hospitality and maintenance service trades. The Company's initial focus is on the restaurant industry in Southern California.

Shift Human Capital Management Inc. ("SHCM"), a wholly-owned subsidiary of ShiftPixy, Inc., is incorporated in the State of Wyoming. SHCM functions substantially as a professional employer organization ("PEO") and provides comprehensive human resources solutions under our co-employment model. SHCM assumes certain of the responsibilities of being an employer and helps its clients mitigate employer-related risks and manage many of the complex and burdensome administrative and compliance responsibilities associated with employment. SHCM also functions as an-administrative-services only ("ASO") provider, in response to client needs for only administrative and processing services, performing functions in the nature of a payroll processor, human resources consultant, administrator of worker's compensation coverages and claims, under circumstances wherein the client remains as the sole employer of the subject employees. These services are also available to businesses in all industries, not limited to the restaurant and hospitality industries. The Company hopes that this mechanism may become a way to onboard new clients into the ShiftPixy Ecosystem when eligible clients to whom the Company is providing these services recognize the value of the services provided by the parent Company.

The Company is currently operating in one reportable segment.

Note 2: Summary of significant accounting policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules of the Securities and Exchange Commission ("SEC") applicable to interim reports of companies filing as a smaller reporting company. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. The results of operations for the three and six months ended February 28, 2018, are not necessarily indicative of the results that may be expected for the year ending August 31, 2018.

The condensed consolidated balance sheet as of August 31, 2017, has been derived from the audited consolidated financial statements at that date but does not include all the information and footnotes required by generally accepted accounting principles for complete financial information.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended August 31, 2017, filed with the SEC on December 14, 2017.

The following table sets forth our gross profit for the three and six months ended February 28, 2017, as follows:

- On an as reported basis and on an as restated basis; and

- The restatement for the three and six months ended February 28, 2017, was for the following: (i) the Social Security Act requires a reduction in the Federal Unemployment Tax ("FUTA") tax credit when a state has outstanding federal loans on January 1st of two consecutive years. The reduction in the FUTA tax credit is 0.3% for the first year and an additional 0.3% (or more) for each succeeding year until the loan is repaid. The state of California faced a potential FUTA credit reduction because there was an outstanding loan balance as of January 1 in each of the years of 2011 through 2017. As a result, and because a loan balance continued as of November 10, 2017, California had a 2.1% credit reduction for 2017, for a total FUTA rate of 2.7%. The state notified the Company of such credit reduction in November 2017 while the Company was reporting its fiscal year-end 2017 financial statements in Form 10-K. The Company recorded in the month of August 2017 all credit reductions from January 2017 to August 2017, hence negatively impacting the Company's fourth fiscal quarter of FYE 2017. Had the accrual basis of accounting been applied in the three months ended February 28, 2017, employer-side taxes would have been $2,677,641 as opposed to $2,345,233. Had the accrual basis of accounting been applied in the six months ended February 28, 2017, employer-side taxes would have been $5,290,974 as opposed to the reported level of $4,813,566 and (ii) the workers' compensation insurance premiums were recognized on a cash basis in the three and six months ended February 28, 2017, compared to an accrual basis in the three and six months ended February 28, 2018. Had the accrual basis of accounting been applied in the three months ended February 28, 2017, workers' compensation expense would have been $1,451,438 as opposed to the reported level of $1,423,188. Had the accrual basis of accounting been applied in the six months ended February 28, 2017, workers' compensation expense would have been $2,435,580 as opposed to the reported level of $2,091,110.

	For the Three Months Ended February 28,		For the Six Months Ended February 28,	
	As Reported	**Restated**	**As Reported**	**Restated**
Cost of Revenues	$ 3,942,314	$ 4,302,972	$ 7,211,646	$ 8,033,525
Gross Profit	1,466,429	1,105,771	3,878,773	3,056,894
Net Income (Loss)	599,694	(960,352)	239,624	(582,253)
Earnings/(loss) per share (Basic and Diluted)	$ 0.02	$ (0.04)	$ 0.01	$ (0.02)

Principles of Consolidation

The Company and its wholly-owned subsidiary have been consolidated in the accompanying unaudited condensed consolidated financial statements. All intercompany balances have been eliminated.

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Use of Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect certain reported amounts of assets and 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 those estimates. Significant estimates include:

- Liability for legal contingencies,
- Useful lives of property and equipment,
- Assumptions made in valuing equity instruments issued for service, and
- Deferred income taxes and related valuation allowance.

Computer Software Development

Software development costs relate primarily to software coding, systems interfaces and testing of our proprietary professional employer information systems and are accounted for in accordance with Accounting Standards Codification ("ASC") 350-40, Internal Use Software. Internal software development costs are capitalized from the time the internal use software is considered probable of completion until the software is ready for use. Business analysis, system evaluation and software maintenance costs are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over the estimated useful life of the software.

Revenue Recognition

The Company's revenues are primarily attributable to fees for providing staffing solutions and PEO/ASO services. The Company recognizes revenue when all of the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) the services have been rendered to the customer; (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

We account for our PEO revenues in accordance with Accounting Standards Codification ("ASC") 605-45, Revenue Recognition, Principal Agent Considerations. Our PEO solutions revenue is primarily derived from our gross billings, which are based on (i) the payroll cost of its worksite employees and (ii) a mark-up computed as a percentage of payroll costs.

The gross billings are invoiced concurrently with each periodic payroll of its worksite employees. Revenues, which exclude the payroll cost component of gross billings and therefore consist solely of markup are recognized ratably over the payroll period as worksite employees perform their service at the client worksite.

Consistent with our revenue recognition policy, our direct costs do not include the payroll cost of our worksite employees. Our cost of revenue is primarily comprised of all other costs related to our worksite employees, such as the employer portion of payroll-related taxes, employee benefit plan premiums and workers' compensation insurance costs.

Cash and Cash Equivalents and Concentration of Credit Risk

The Company considers all highly liquid investments with an original maturity of three months or less when purchased as cash equivalents. The Company maintains cash with a commercial bank and from time to time exceed the federally insured limits. The deposits are made with a reputable financial institution, and the Company had not experienced losses from these deposits. The Company did not have any cash equivalents at February 28, 2018, and August 31, 2017. None of the Company's clients represents more than 10% of our annualized revenues for fiscal years 2018 or 2017.

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Property, Equipment and Depreciation

Property and equipment are stated at cost. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Equipment 5 years
Furnitures & Fixtures: 5 – 7 years
Leasehold Improvement: 5 years
Software Development cost: 5 years

Upon retirement or disposition of an asset, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations. Repairs and maintenance are charged to expense as incurred and expenditures for additions and improvements are capitalized.

Impairment and Disposal of long-lived Assets

The Company evaluates the carrying value of its long-lived assets when indicators of impairment are present. Impairment is assessed when the undiscounted future cash flows estimated to be generated by those assets are less than the assets' carrying amount. If such assets are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying value or fair value, less cost to sell. There were no impairments recognized for the periods ended February 28, 2018 and 2017.

Workers' compensation

A portion of the Company's workers' compensation risk is covered by a retrospective rated policy, which calculates the final policy premium based on the Company's loss experience during the term of the policy and the stipulated formula set forth in the policy. The Company funds the policy premium based on standard premium rates on a monthly basis and based on the gross payroll applicable to workers covered by the policy. During the policy term and thereafter, periodic adjustments may involve either a return of previously paid premiums or a payment of additional premiums by the Company or a combination of both. If the Company's losses under that policy exceed the expected losses under that policy, then the Company could receive a demand for additional premium payments. The Company funded an initial deposit of $2.3 million, which is included in prepaid expenses on the condensed consolidated balance sheet. As of February 28, 2018, the Company has not been notified of any adverse loss ratio as compared to the standard premium.

Fair Value Measurements

The fair value accounting guidance defines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The definition is based on an exit price rather than an entry price, regardless of whether the entity plans to hold or sell the asset. This guidance establishes a fair value hierarchy to prioritize inputs used in measuring fair value as follows:

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

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

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

The carrying value of accounts receivable, and accounts payable approximates the fair value due to their short-term maturities.

Advertising Costs

The Company expenses all advertising as incurred. The Company incurred advertising costs totaling $68,087 and $180,250 for the three and six months ended February 28, 2018, respectively compared to $4,067 and $30,249 for the three and six months ended February 28, 2017, respectively.

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Earnings (Loss) Per Share

The Company utilizes Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 260, "Earnings per Share." Basic earnings (loss) per share is computed by dividing earnings (loss) attributable to common stockholders by the weighted-average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include additional common share equivalents available upon exercise of stock options and warrants using the treasury stock method. Dilutive common share equivalents include the dilutive effect of in-the-money share equivalents, which are calculated based on the average share price for each period using the treasury stock method, excluding any common share equivalents if their effect would be anti-dilutive. In periods in which a net loss has been incurred, all potentially dilutive common shares are considered anti-dilutive and thus are excluded from the calculation

Securities that are excluded from the calculation of weighted average dilutive common shares, because their inclusion would have been antidilutive are:

	For the three Month Ended February 28, 2018	For the three Month Ended February 28, 2017

Options	820,000	-
Warrants	2,570,413	2,160,725
Total potentially dilutive shares	3,390,413	2,160,725

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Stock-Based Compensation

The Company accounts for stock-based awards to employees in accordance with applicable accounting principles, which requires compensation expense related to share-based transactions, including employee stock options, to be measured and recognized in the financial statements based on a determination of the fair value of the stock options. The grant date fair value is determined using the Black-Scholes-Merton ("Black-Scholes") pricing model. For all employee stock options, the Company recognizes expense over the requisite service period on an accelerated basis over the employee's requisite service period (generally the vesting period of the equity grant). The Company's option pricing model requires the input of highly subjective assumptions, including the expected stock price volatility and expected term. Any changes in these highly subjective assumptions significantly impact stock-based compensation expense. Following the adoption of Accounting Standards Update ASU 2016-09, the Company elected to account for forfeitures as they occur, as such, compensation cost previously recognized for an award that is forfeited because of a failure to satisfy a service condition is reversed in the period of the forfeiture.

Recent Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The standard provides enhancements to the quality and consistency of how revenue is reported by companies, while also improving comparability in the financial statements of companies reporting using International Financial Reporting Standards or U.S. GAAP. The new standard also will require enhanced revenue disclosures, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. This accounting standard becomes effective for the Company for reporting periods beginning after December 15, 2018, and interim reporting periods thereafter. Early adoption is permitted for annual reporting periods (including interim periods) beginning after December 15, 2016. This new standard permits the use of either the retrospective or cumulative effect transition method.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. The purpose of this standard is to clarify the implementation of guidance on principal versus agent considerations related to ASU 2014-09. The standard has the same effective date as ASU 2014-09 described above.

In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which provides clarity related to ASU 2014-09 regarding identifying performance obligations and licensing implementation. The standard has the same effective date as ASU 2014-09 described above.

In May 2016, the FASB issued ASU 2016-12: Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides narrow scope improvements and practical expedients related to ASU 2014-09. The purpose of this standard is to clarify certain narrow aspects of ASU 2014-09, such as assessing the collectability criterion, presentation of sales taxes, and other similar taxes collected from customers, noncash consideration, contract modifications at transition, completed contracts at transition, and technical correction. The standard has the same effective date as ASU 2014-09 described above.

In December 2016, the FASB issued ASU 2016-20: Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers . The amendments in this standard affect narrow aspects of guidance issued in ASU 2014-09. The standard has the same effective date as ASU 2014-09 described above.

The Company is currently developing an adoption plan of how it currently recognizes revenue compared to the accounting treatment required under the new guidance. This plan includes a review of client contracts and revenue transactions to determine the impact of the accounting treatment under the new guidance, evaluation of the adoption method and completing a rollout plan for the new guidance. Additionally, the Company is in the process of assessing the impact of the new standard on its disclosures and internal controls.

In February 2016, the FASB issued new accounting guidance on leases ASU 2016-02, Leases. The new standard requires that a lessee recognize assets and liabilities on the balance sheet for leases with terms longer than 12 months. The recognition, measurement and presentation of lease expenses and cash flows by a lessee will depend on its classification as a finance or operating lease. The guidance also includes new disclosure requirements providing information on the amounts recorded in the financial statements. The ASU is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020.The Company is currently evaluating the impact that this standard will have on its consolidated financial statement.

In the first quarter of 2018, the Company adopted ASU 2016-09 amending several aspects of share-based payment accounting. This guidance requires all excess tax benefits and tax deficiencies to be recorded in the income statement when the awards vest or are settled, with prospective application required. The guidance also changes the classification of such tax benefits or tax deficiencies on the statement of cash flows from a financing activity to an operating activity, with retrospective or prospective application allowed. Additionally, the standard also provides an accounting policy election to account for forfeitures as they occur, allows us to withhold more of an employee's vesting shares for tax withholding purposes without triggering liability accounting, and clarifies that all cash payments made to tax authorities on an employee's behalf for withheld shares should be presented as a financing activity on our cash flow statement. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. For the six months ended February 28, 2018, the impact of adopting this new guidance was immaterial.

In the first quarter of 2018, the Company adopted ASU 2017-09 clarifying when changes to the terms and conditions of a share-based payment award must be accounted for as modifications. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. It does not change the accounting for modifications. The ASU is effective prospectively for reporting periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. For the six months ended February 28, 2018, the impact of adopting this new guidance was immaterial.

Note 3: Going Concern

As of February 28, 2018, the Company had cash and cash equivalents of $0.9 million and a working capital deficiency of $1.5 million. During the six months ended February 28, 2018, the Company used approximately $4.2 million of cash in its operations, of which $3.2 million was attributed to the mobile application development costs and $0.3 million was attributed to the workers' compensation deposit. The Company has incurred recurring losses resulting in an accumulated deficit of $15.5 million as of February 28, 2018. 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 financial statements.

The ability of the Company to continue as a going concern is dependent upon generating profitable operations in the future and obtaining additional funds by way of public or private offering to meet the Company's obligations and repay its liabilities when they become due.

Historically, the Company's principal source of financing has come through the sale of its common stock. The Company successfully completed an Initial Public Offering (IPO) on June 29, 2017, raising a gross amount of $12 million ($10.9 million net of costs).

Exclusive of the development costs, the Company is currently using $0.3 million each quarter from its operations or less than $0.1 million per month. As a consequence of changing certain providers and achieving some economies of scale, the Company has already realized a significant reduction to its workers' compensation expense, which has factored into its reduced cash burn. In addition, the Company continues to experience significant growth in the number of worksite employees. Subsequent to February 28, 2018, the Company has added through executed service agreements, approximately 6 clients, servicing 1,300 worksite employees with approximately $93 million in additional gross billings per year, representing an increase of approximately $1.7 million in gross profit. Our gross billings for the month of March grew 21% sequentially over the month of February.

The key features of the Company's mobile application have been fully developed, one of the key feature has been released and two other key features are now ready to be released at no additional costs, except for the post implementation expenditures. The deployment of these features, expected in the second calendar quarter of 2018, would further accelerate growth as the Company's clients would be able to remediate their turnover issues.

The Company's plans and expectations for the next 12 months include raising capital to help fund expansion of its operations, including product development. The Company engaged an investment banking firm to assist the Company in (i) preparing information materials, (ii) advising the Company concerning the structure, price and conditions and (iii) organizing the marketing efforts with potential investors in connection with a financing transaction

We believe that our current cash position, along with our revenue growth and the financing from potential institutional investors will be sufficient to fund our operations for at least a year from the date these financials are available. If these sources do not provide the capital necessary to fund the Company's operations during the next twelve months from the date of this report, the Company may need to curtail certain aspects of its operations or expansion activities, consider the sale of its assets, or consider other means of financing. The Company can give no assurance that it will be successful in implementing its business plan and obtaining financing on terms advantageous to the Company or that any such additional financing would be available to the Company. These consolidated condensed financial statements do not include any adjustments from this uncertainty.

Note 4: Stockholders' Equity

Preferred Stock

In September of 2016, the Company issued options to purchase preferred stock at $0.0001 per share. This issuance was approved by our shareholders. The number of options is equal to the lesser of (a) the number of shares of common stock held by such Shareholder on September 28, 2016, which accounts for approximately 25.6 million shares, or (b) the number of shares of common stock held by such Shareholder on date of the Shareholder's exercise of the aforesaid option. The preferred stock that is the subject of such contingent option provides a right to elect a majority of the directors on the Board of Directors of the Corporation and does not include any rights to dividends, conversion to shares of common stock, or preference upon liquidation of the Corporation. The contingent option is exercisable only upon the acquisition of a 20% or greater voting interest in the Corporation by a party other than the founding shareholders, or prior to any proposed merger, consolidation (in which the Corporation's common stock is changed or exchanged) or sale of at least 50% of the Corporation's assets or earning power (other than a reincorporation). The right to exercise the option terminates on December 31, 2023.

Common Stock and Warrants

During the six months ended February 28, 2018, the Company issued 25,000 shares of common stock following the exercise of warrants with an exercise price of $2 and received gross proceeds of $50,000.

On March 16, 2017, the Company granted 50,000 common shares, through the ShiftPixy, Inc., 2017 Stock Option /Stock Issuance Plan (the "Plan") to Kenneth W. Weaver, of which 25,000 common shares were committed at an assumed fair market value of $3.80 per share, and deemed to have been purchased and vested on December 5, 2017 as a consequence of Mr. Weaver's continued service as director through that date. During the six months ended February 28, 2018, the Company recognized 13,252 shares of common stock for services that vested during the six months ended February 28, 2018, at a fair value of $50,354. There was no common stock issued for services during the three and six months ended February 28, 2017.

On September 28, 2017, the Company granted each 26,316 common shares, through the ShiftPixy, Inc., Plan to each of our two other independent directors, Whitney White and Sean Higgins at a fair value of $2.95 per share, of which 50% will vest on the date marking the six months anniversary and the remaining 50% of the shares vesting on the first anniversary of service under the executed agreement. For the six months ended February 28, 2018, the Company recognized $97,095 of compensation expense in our statement of operation.

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During the three and six months ended February 28, 2017, the Company sold 131,750 shares of common stock for $527,000 in cash. Each share includes one warrant to purchase a share of common stock at an exercise price of $4 per share expiring on March 1, 2019.

The following tables summarize our warrants outstanding as of February 28, 2018:

	Number of shares	Weighted average remaining life (years)	Weighted average exercise price
Warrants outstanding, August 31, 2017,	2,595,413	1.0	$ 2.99
Issued	-	-	-
(Exercised)	(25,000)	-	$ 2.00
(Cancelled)	-	-	-
(Expired)	-	-	-
Warrants outstanding, February 28, 2018,	2,570,413	1.0	$ 3.00
Warrants exercisable, February 28, 2018,	2,570,413	1.0	$ 3.00

The following table summarizes information about warrants outstanding as of February 28, 2018:

Exercise price	Warrants Outstanding	Weighted average life of outstanding warrants in years
$ 2.00	931,300	1.0
$ 3.00	1,003,800	1.0
$ 4.00	535,313	1.0
$ 6.90	100,000	1.0
	2,570,413	1.0

Note 5: Stock based Compensation

The Company granted options to purchase an aggregate total of 155,000 shares of Common Stock during the six months ended February 28, 2018. The Company recognized $97,096 of compensation expense in the six months ended February 28, 2018. The weighted average remaining contract life of the options is 9.22 years. The aggregate intrinsic value of the options outstanding as of February 28, 2018, is $0.

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Stock option activity during the six months ended February 28, 2018, is summarized as follows:

	Options Outstanding		Weighted Average Exercise Price
Options outstanding at August 31, 2017	790,000	$	4.44
Exercised	-	$	-
Granted	155,000		2.85
Forfeited	(125,000)	$	4.00
Expired	-		
Options outstanding at February 28, 2018	820,000	$	4.38
Options Exercisable at February 28, 2018	-		-

Note 6: Related Parties

Our Sales Manager is an advisor to and significant shareholder of the Company. The Company incurred $180,000 and $350,000 in professional fees for management consulting services in the three and six months ended February 28, 2018, respectively compared to $120,000 in the three and six months ended February 28, 2017.

Note 7: Income Taxes

The Company accounts for income taxes pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Income Taxes." Under FASB ASC 740 deferred income taxes are provided on a liability-method, whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The provision for income taxes represents the tax expense for the period, if any, and the change during the period in deferred tax assets and liabilities. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

FASB ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. Under FASB ASC 740, the impact of an uncertain tax position on the income tax return may only be recognized at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority.

On December 22, 2017, the President signed into legislation the Tax Cuts and Jobs Act (the Act), The Act changes existing U.S. tax law and includes numerous provisions that will affect our business, including our income tax accounting, disclosure and tax compliance. The most impactful changes within the Act are those that will reduce the U.S. corporate tax rates, business-related exclusions and deductions and credits. ASC 740, "Income Taxes" (Topic 740), requires the effects of changes in tax rates and laws on deferred tax balances to be recognized in the period in which the legislation is enacted. Consequently, as of the date of enactment, and during the three months ended February 28, 2018, the Company valued all deferred tax assets and liabilities at the newly enacted Corporate U.S income tax rate. The Company has had losses and has a full valuation allowance on its deferred tax assets.

Note 8: Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will be resolved only when one or more future events occur or fail to occur. The Company's management, in consultation with its legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment.

During the ordinary course of business, the Company is subject to various claims and litigation. Management believes that the outcome of such claims or litigation will not have a material adverse effect on the Company's financial position, results of operations or cash flow.

Note 9: Subsequent Events

The Company has analyzed its transactions subsequent to February 28, 2018, through the date these financial statements were issued for consideration of any material subsequent events to disclose in these financial statements. Management has determined that no subsequent events exist through the date of this filing.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes, and other financial information included in this Form 10-Q.

Our Management's Discussion and Analysis contains not only statements that are historical facts, but also statements that are forward-looking. Forward-looking statements are, by their very nature, uncertain and risky. These risks and uncertainties include international, national, and local general economic and market conditions; our ability to sustain, manage, or forecast growth; our ability to successfully make and integrate acquisitions; new product development and introduction; existing government regulations and changes in, or the failure to comply with, government regulations; adverse publicity; competition; the loss of significant *customers or suppliers; fluctuations and difficulty in forecasting operating results; change in business strategy or development plans; business disruptions; the ability to attract and retain qualified personnel; the ability to protect technology; the risk of foreign currency exchange rate; and other risks that might be detailed from time to time in our filings with the Securities and Exchange Commission.*

Although the forward-looking statements in this Report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by them. Consequently, and because forward-looking statements are inherently subject to risks and uncertainties, the actual results and outcomes may differ materially from the results and outcomes discussed in the forward-looking statements. You are urged to carefully review and consider the various disclosures made by us in this report as we attempt to advise interested parties of the risks and factors that may affect our business, financial condition, and results of operations and prospects.

Our Management's Discussion & Analysis of Financial Condition and Results of Operations (MD&A) includes references to our performance measures presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and other non-GAAP financial measures that we use to manage our business, make planning decisions and allocate resources. Refer to the Non-GAAP Financial Measures within our MD&A for definitions and reconciliations from GAAP measures.

Overview

The Company is primarily a staffing enterprise, providing employment services solutions for businesses and workers in an environment in which shift or other part-time/temporary positions, commonly called “gigs,” are performed. In what is now being called the Gig Economy, businesses such as those in our current target market in the restaurant and hospitality industries contract with independent workers for less than full-time engagements primarily in the form of shift work. The trend toward a Gig Economy has begun, and we are endeavoring to participate through an employment related service offering. A study by Intuit predicted that by 2020, 40 percent of American workers would be less than full time independent contractors. Intuit, Inc. October 2010. “Intuit 2020 Report: Twenty Trends That Will Shape the Next Decade”.

A significant problem for employers in the Gig Economy involves compliance with employment related regulations imposed by federal, state and local governments, including requirements associated with workers’ compensation insurance, and other traditional employment compliance issues, including the employer mandate provisions of the Patient Protection and Affordable Care Act (“ACA”). The compliance challenges are often complicated by the actions of many employers in reducing workers’ hours as a means to avoid characterizing employees as “full-time.” Congress is considering amendments to or replacement of the ACA. As of the date of this filing, the ACA has not been formally amended or repealed; however, the Tax Cuts and Jobs Act of 2017 effectively eliminates the individual mandate provisions of the ACA, beginning in 2019. Employers still face regulatory issues and overhead costs, including those associated with the employer mandate provisions of the ACA for which we believe our services are a cost-effective solution.

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For Gig/Shift Workers, whom we also call “shifters,” the significant problem is difficulty in finding other jobs/gigs to replace hours lost when their employers reduce their hours and make them less than full-time employees or otherwise to fill workweek employment voids.

We believe ShiftPixy has the ideal solution for both of these groups and each of their problems via a service offering that entails two principal elements (that we refer to collectively as our “Ecosystem”) as follows:

- **ShiftPixy Employer Solution**: Under a co-employment agreement, ShiftPixy assumes certain of the responsibilities of being an employer and helps our clients mitigate employer-related risks and manage many of the complex and burdensome administrative and compliance responsibilities associated with employment. Once the ShiftPixy Mobile application will be fully implemented, ShiftPixy will absorb the co-employer’s shifters as ShiftPixy Employees and makes those employees available to the former employer to work the same jobs, as employees of ShiftPixy, shouldering a substantial portion of the employment-related compliance responsibilities. In addition, when the shift intermediation features of the ShiftPixy mobile app are implemented, which can occur as soon as a sufficient number of users and clients in an area begin to use the scheduling features of the application, such businesses will be able to access via that technology additional qualified workers, who are already part of the ShiftPixy Ecosystem, to fill workforce voids on short notice, having assurance that such employees have work experience, will be paid, will be covered by applicable workers’ compensation coverage, will have applicable employment related taxes calculated and processed.

- **ShiftPixy Shifter Solution**: Shifters placed with one of ShiftPixy's clients can now access other shift work with other ShiftPixy clients, and they will be able to do so quickly and easily ultimately through the new ShiftPixy mobile application. Workers are now engaging with the application at the point of onboarding with ShiftPixy. We anticipate that employees will be able to use the app to secure additional shifts within our Ecosystem. When released to the general public, anticipated to be in the calendar year 2018, provided adequate funding is available to complete our development activities, the ShiftPixy mobile application will enable not only ShiftPixy shift employees but also ultimately shift employees outside the ShiftPixy Ecosystem, many of them Millennials who connect to the outside world solely through mobile devices, to access available shift jobs at all of ShiftPixy's participating clients. In addition to the benefits of working not as independent contractors but as employees, enjoying the protections of workers' compensation coverage and employment laws, as well as the calculation and remittance of applicable employment taxes, among other benefits, shifters are also enabled to participate in ShiftPixy's benefit plan offerings, including minimum essential health insurance coverage plans and a 401(k) plan.

ShiftPixy's headquarters is currently situated in Irvine, California, from which it can reach the Southern California market. ShiftPixy recently opened offices in New York City, Austin, Texas, and the Orlando area from which its local sales/service representatives will secure and service clients in those areas, and it plans to open additional physical offices in the following locales: Chicago, Las Vegas and Atlanta.

These markets collectively account for or allow us to cover approximately 53% of our target market in the restaurant/hospitality sectors. (U.S. Department of Labor. Bureau of Labor Statistics. May 2015. Occupational Employment and Wages.)

ShiftPixy and its subsidiary collectively serve, as of February 28, 2018, an aggregate of approximately 160 clients with an aggregate of approximately 6,798 employees, including 5,113 employees of ShiftPixy and ShiftableHR that we provide to our clients and 1,685 employees of our clients for whom we provide only payroll administration services. None of these clients represents more than 10% of our revenues for the three months period ending February 28, 2018.

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ShiftPixy's anticipated business and revenue growth will result from the following factors:

- Large Potential Market.
- The burdens placed on employers with over 50 full-time employees under the ACA.
- Marketing Advantages from Strategic Insurance Provider Relationships.
- New ShiftPixy Mobile App that is designed to provide Additional Benefits to ShiftPixy's client businesses and shift workers.
- Ultimate Development of a ShiftPixy Ecosystem.
- Mitigation of Employment Law Compliance Risks.

The Problem: Employment law compliance requirements present a multi-obstacle ridden employment related compliance landscape for our target market of businesses that rely significantly on part-time and temporary workers. Challenges facing such businesses include the need to secure applicable workers' compensation insurance coverage, to effect employment related tax withholdings and filings, and to navigate laws related to hiring and release of employees, including discrimination (race, color, national origin, sex, age, religion, disability, pregnancy and sexual orientation), sexual harassment, sick pay and time off, hours of work, minimum wage and overtime, gender pay differentials, immigration, safety, child labor, military leave, garnishment and other wage imposition processing, family and medical leave, COBRA, and unemployment claims. ACA compliance currently adds another significant burden to businesses with more than 50 full-time workers, as they try to manage the additional burdens associated with mandated health insurance benefits.

A business can secure assistance in mitigating and even eliminating these challenges by retaining ShiftPixy.

The ShiftPixy Solution: ShiftPixy is developing an Ecosystem comprised of a closed proprietary operating and processing system that helps restaurant or hospitality businesses (and in the future, businesses in additional industries wherein we plan to market our services) as well as shift workers by matching available shifts with available shift workers. The ShiftPixy Ecosystem provides the following benefits:

- Compliance
- Cost Containment
- Cost Savings

Shift Human Capital Management Inc.: We formed Shift Human Capital Management Inc., a wholly-owned subsidiary, in December 2015. We formed this subsidiary in response to the need to have workers' compensation policies written in the names of the clients (as may be required by some states) and otherwise in response to client needs for only administrative and processing services rather than the full-service, staffing program offered by ShiftPixy. As of February 28, 2018, ShiftableHR had 110 clients with 4,239 worksite employees, including 1,685 employees for whom we provide only payroll administration services.

Significant Developments in 2018

New Sales Offices

ShiftPixy recently opened offices in New York City, Austin, Texas, and the Orlando area from which its local sales/service representatives will secure and service clients in those areas, and it plans to open additional physical offices in the following locales: Chicago, Las Vegas and Atlanta.

Software Development

The heart of ShiftPixy's employment service solutions is a technology platform, including a mobile app, through which ShiftPixy employees (and in the future, shift workers not currently in our Ecosystem) will be enabled to find available shift work at ShiftPixy client locations, solving a problem of finding available shift work for both the shifters looking for additional shift work and business clients looking to fill open shifts.

The mobile app is one of the software components of what we call the mobile platform, and together with the ShiftPixy "Command Hub" and the client portal, is being developed, tested and released in stages. We have released and are using the onboarding feature of our software, which enables us to capture all application process related data regarding our assigned employees and to introduce employees to and integrate them into the ShiftPixy Ecosystem. Our new employees no longer have to fill out the burdensome pile of required new employee paperwork. By leveraging artificial intelligence capabilities, new hires are guided by a conversation with a "Pixy" chatbot that asks the necessary questions and generates the required employment documents in a highly personal and engaging way.

Following completion of the questions, applicable onboarding paperwork is prepopulated with the data and prepared for the employee's signature to be affixed digitally via the app as well. We use the app to gather even I-9 required documentation.

Our next phase of development, planned to be completed in the beginning of our second calendar quarter of 2018, is the implementation of the scheduling component of our software, which is being designed to enable each client worksite to schedule workers and to identify shift gaps that need to be filled. We again plan to leverage artificial intelligence to maintain schedules and fulfillment, using an active methodology to engage and move people to action. We plan to engage certain of our clients to begin using this functionality before the end of the second calendar quarter of 2018.

The next succeeding phase of development, also planned to be completed in the second calendar quarter of 2018, includes the implementation of our shift intermediation functionality, which is designed to enable our shift workers to receive information regarding and to accept available shift work opportunities. We currently plan to have the onboarding, scheduling and shift intermediation functionalities operable and integrated across our platform during the second calendar quarter of 2018; however, the intermediation functionality becomes useful only to the extent that we have meaningful numbers of available workers and client shift opportunities in the same geographic region, which we expect to begin to occur at the end of the second calendar quarter of 2018. Our goal is to have the mobile platform serve not only to enable our shift workers to secure additional shift work and our job provider clients to fill open shifts but also to attract new clients who see the value associated with being able to fill open shifts with a ready-to-hire workforce. This software is an important component of our overall ecosystem, and we are excited about our continued development.

We also plan to begin using the "delivery features" of our mobile platform during the second calendar quarter of 2018. Our technology and approach to human capital management allows the company a unique window into the daily demands of "Quick Service Restaurants" ("QSR") operators and the ability to extend our technology and engagement to enable this unique self-delivery proposition. ShiftPixy's new driver management layer for operators in the ShiftPixy ecosystem will now allow clients to use their own team members to deliver a brand intended customer experience. ShiftPixy has taken the compliance, management and insurance issues related to the support of a delivery option and created a turnkey self-delivery opportunity. This would allow our clients to enjoy the income growth from delivery and preserve their customer experience and their brand. The first phase of this component of our platform will be driver onboarding, which we plan to use by the second calendar quarter of 2018. Following completion of this phase, we plan to add features that enhance the capability of our mobile application to track and manage the delivery process. The enhanced features will "micro metering" of essential commercial insurance coverages required by our operator clients-namely workers' compensation and auto coverages on a delivery-by-delivery basis.

Another key element of our software development involves using ShiftPixy's blockchain ledger to process and record our critical P2P ("Peer-to-Peer") connections. While not necessarily a new development, we note that we use blockchain technology in an effort to keep our data secure. Any data considered to be a human capital validation point or part of the hiring and onboarding process is being utilized and recorded in ShiftPixy's blockchain ledger. The employee I-9 verification process, for example—one of the most stringent, rigorous, and penalty-laden compliance procedures is positively impacted by blockchain utilization of biometric authentication and automatic verification of I-9 data, removing human error in the process of screening for fraudulent information. Verification of that data on the blockchain allows both employers and auditing agencies to confidently validate additional criteria such as employment dates, and a candidate's background (i.e. education, references, certifications, etc.), and share the verification status directly on multiple distributed sources within the blockchain, further underscoring the trust and accuracy of a candidate's information and corporate compliance.

Future implementation of blockchain technology within ShiftPixy's technological ecosystem is anticipated to include the extended applications for payroll and real-time payments, and utilizing smart contracts for employment contracts, which facilitate the performance of credible, trackable, and irreversible transactions without third parties. For purposes of clarification, we note that ShiftPixy has never, does not now and will never use its blockchain technology in any form of cryptocurrency or cryptocurrency related application

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Performance Highlights

Q2 FYE 2018 vs. Q2 FYE 2017

- Served approximately 160 clients and co-employed average 6,546 worksite employees, a 67.2% increase in average worksite employees compared to the same period in 2017, and

- Processed approximately $48.6 million in gross billings, an increase of 58.1% over the same period in 2017.

Our financial performance for the second quarter ended February 28, 2018, compared to the same quarterly period ended February 28, 2017, included:

Revenues increased 45.8% to $7.9 million due to increased number of worksite employee the Company is currently servicing.

Cost of Revenue increased 62.8% to $7.0 million due to increased number of worksite employees, incremental workers compensation from engaging with two clients in the janitorial space and an increase in our state unemployment tax rate.

Operating expenses increased 74.1% to $3.6 million due to an increase in the number of corporate employees, commissions payments related to our increased billings and additional general and administrative expenses resulting from being a public company.

Net Loss increased to -$2.7 million or -$0.09 per diluted share, from -$1.0 million or -$0.04 per diluted share.

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YTD 2018 – YTD 2017

- Served approximately 160 clients and co-employed an average of 6,008 worksite employees, a 35.5% increase in average worksite employees compared to the same YTD period in 2017, and
- Processed approximately $88.8 million in gross billings, an increase of 35% over the same YTD period in 2017, and
- Decreased cash and cash equivalents by approximately $5 million or 84.7% to $0.9 million from the end of our last fiscal year.

Our Financial performance for the first six months of 2018, compared to the same period in 2017, included:

Revenues increased by 29.8% to $14.4 million, attributable primarily to the increased number of our worksite employees.

Cost of Revenue increased by $4.2 million to $12.3 million due to increased number of worksite employees, incremental workers compensation from engaging with two clients in the janitorial space and an increase in our state unemployment tax rate

Operating Expense increased 124.9% to $8.2 million. Such increase is a directly attributed to the expenditures incurred for the development of our mobile platform and expenditures directly related from being a public company.

Net Loss increased to $6.1 million or -$0.21 per diluted share from $0.6 million or -$0.02 per diluted share.

Results of Operations

The following table summarizes the condensed consolidated results of our operations for the three months ended February 28, 2018, and February 28, 2017 (Unaudited).

	For the Three Months Ended	
	February 28, 2018	February 28, 2017 (Restated)
Revenues (gross billings of $48.6 million and $30.8 million less worksite employee payroll cost of $40.8 million and $25.3 million, respectively)	$ 7,886,459	$ 5,408,743
Cost of revenue	7,007,315	4,302,972
Gross profit	879,144	1,105,771
Operating expenses	3,598,027	2,066,123
Net Loss	$ (2,718,883)	$ (960,352)
Net Loss available to common shareholders per common share:		
Basic and Diluted	$ (0.09)	$ (0.04)
Weighted Average Number of Common Shares Used in Per Share Computations:		
Basic and Diluted	28,800,630	26,227,935

Revenues for the three months ended February 28, 2018, increased by $2.5 million or 45.8% to $7.9 million, compared to $5.4 million for the three months ended February 28, 2017. Gross billings are a non-GAAP measurement and are the metric in which we currently earn our revenue.

Gross billings for the three months ended February 28, 2018, were earned from billings to clients to whom we provide staff or workforce management support (PEO and ASO). Gross billings for the three months ended February 28, 2018, increased by $17.9 million or 58.1% to $48.7 million, compared to $30.8 million for the three months ended February 28, 2017.

Gross billings' increase was primarily due to the increase in the average worksite employees by 2,630 to 6,546 employees, compared to an average of 3,916 employees for the three months ended February 28, 2017. This was offset by an increase during the three months ended February 28, 2018 in the number of clients, which are not covered under ShiftableHR workers' compensation insurance program, compared to the three months ended February 28, 2017. This translated in a significant reduction in workers compensation amount billed as a percentage of our worksite employees' payroll cost.

Cost of Revenues mainly includes the costs of employer-side taxes and workers' compensation insurance coverage. Our cost of revenues for the three months ended February 28, 2018, increased by $2.8 million or 62.8% to $7.1 million, compared to $4.3 million for the three months ended February 28, 2017.

Approximately $2.5 million is attributed to the additional worksite employees the Company is servicing, which increased by 2,630 from an average 3,916 employees in the three months ended February 28, 2017, to an average of 6,546 employees in the three months ended February 28, 2018.

Approximately $0.3 million of the increase is attributed to the increase in our state unemployment (SUTA) tax rate for calendar year 2018.

Gross Profit for the three months ended February 28, 2018, decreased by $0.2 million or 20.5% to $0.9 million, compared to $1.1 million in the three months ended February 28, 2017. The gross profit, as a percentage of revenues, decreased from 20.4% for the three months ended February 28, 2017, to 11.1% for the three months ended February 28, 2018, which is a direct consequence of the increase in our state unemployment tax rate. While the gross amount of fees that we charge to many of our clients remain static over the course of the year, because those fees include, as a billable component, unemployment tax, the related expense of which declines as wage limits are attained, our gross profit begins to increase over the course of the year as the wage limits applicable to employees providing services to such clients are attained such that the expense related to these employees, which we record on our financial statements, is reduced.

We also anticipate gross profit to increase in the near future from the current level, as a result of positive initiatives that have been implemented in the workers' compensation program and economies of scale.

Total Operating Expenses for the three months ended February 28, 2018, have increased by $1.5 million or 74.1% to $3.6 million compared to $2.1 million for the three months ended February 28, 2017.

The increase of $1.5 million in operating expenses is primarily attributed to the development costs for the Company's new technology platform from $0 in the three months ended February 28, 2017, to $0.5 million in the three months ended February 28, 2018.

Our payroll costs for the three months ended February 28, 2018, increased by $0.4 million to $1.3 million compared to $0.9 million for the three months ended February 28, 2017. Approximately $0.2 million of the increase is attributed to the increase in our corporate payroll employees from an average of 35 for the three months ended February 28, 2017, to 41 employees for the three months ended February 28, 2018. Approximately $0.2 million of the increase is attributed to the stock-based compensation expense resulting from our 2017 Stock Options/ Stock Issuance Plan, personal time off expense incurred in the three months ended February 28, 2018, compared to $0 in the three months ended February 28, 2017 and approximately $50k bonus payout in the three months ended February 28, 2018.

Selling, General & Administrative expenses for the three months ended February 28, 2018, increased by $0.3 million to $1.2 million, compared to $0.9 million for the three months ended February 28, 2017. The increase of $0.3 million is primarily attributed to the $0.1 million increase in commissions, which is a direct consequence of the increase in gross billings and secondarily to a $0.1 million increase in investor relations expenses resulting from being a public company and $0.2 million related to penalties for late remittance of payroll taxes.

Professional fees for the three months ended February 28, 2018, increased by $226k or 79.8% to $0.5 million, compared to $0.3 million for the three months ended February 28, 2017. This increase results from additional audit fees to our year-end audit, consulting fees, other fees incurred following our IPO and fees paid to our Directors. We anticipate professional fees and other general & administrative expenses to remain consistent for the remainder of the fiscal year as most of the expenses are fixed in nature.

Net loss/Income. As a result of the explanations described above, the net loss for the three months ended February 28, 2018, was $2.7 million, compared to a net loss of $1.0 million for the three months ended February 28, 2017.

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The following table summarizes the condensed consolidated results of our operations for the six months ended February 28, 2018, and February 28, 2017 (Unaudited).

	For the Six Months Ended	
	February 28, 2018	February 28, 2017 (Restated)
Revenues (gross billings of $88.8 million and $65.8 million less worksite employee payroll cost of $74.4 million and $54.7 million, respectively)	$ 14,398,378	$ 11,090,419
Cost of revenue	12,273,718	8,033,525
Gross profit	2,124,660	3,056,894
Operating expenses	8,184,760	3,639,147
Net Loss	$ (6,060,100)	$ (582,253)
Net Loss available to common shareholders per common share:		

Basic and Diluted	$ (0.21)	$ (0.02)
Weighted Average Number of Common Shares Used in Per Share Computations:		
Basic and Diluted	28,792,333	26,220,789

Revenues for the six months ending February 28, 2018, were earned from billings to clients to whom we provide staff and workforce management support (PEO and ASO). Our revenues, which represent gross billings net of worksite employee payroll cost, increased by 29.8% to $14.4 million in the six months ended February 28, 2018, compared to $11.1 million in the six months ended February 28, 2017. Gross billings are a non-GAAP measurement and are the metric in which we currently earn our revenue.

Gross Billings for the six months ended February 28, 2018, increased by $23.0 million or 35% to $88.8 million, compared to $65.8 million for the six months ended February 28, 2017. Gross billings' increase was primarily due to the increase in the worksite employees by 1,575 to an average of 6,008 employees for the six months ended February 28, 2018, compared to an average of 4,433 employees for the six months ended February 28, 2017.

Cost of Revenues. Our cost of revenues mainly includes the costs of employer-side taxes and workers' compensation insurance coverage. Our cost of revenues for the six months ended February 28, 2018, increased by $4.3 million or 52.8% to $12.3 million, compared to $8.0 million in the six months ended February 28, 2017.

Approximately $2.9 million of the increase is attributable to the additional worksite employees the Company is servicing, which increased from an average of 4,433 employees in the six months ended February 28, 2017, to 6,008 employees in the six months ended February 28, 2018.

Approximately $0.3 million of the increase is attributable to the increase in our state unemployment (SUTA) tax rate for calendar year 2018.

Approximately $0.3 million of the increase is attributable to workers' compensation premium, which, as previously disclosed, was over expensed in the fiscal year ended August 30, 2016. This resulted in an understatement of our gross profit for the fiscal year ended August 30, 2016. Such difference was not deemed quantitatively and qualitatively material to the August 2017 fiscal year end financial statements.

Approximately $0.8 million of the increase is attributed to the increase in workers' compensation expense, resulting from engaging with two clients in the janitorial business, serving approximately 200 worksite employees, for which the cost of workers' compensation insurance is triple the average cost of coverage for employees in the industries in which we otherwise operate. The Company incurred $0.9 million of workers' compensation insurance expense for these two clients in the six months ended February 28, 2018, compared to $0.1 in the six months ended February 28, 2017.

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Gross Profit for the six months ended February 28, 2018, decreased by $0.9 million or 30.5% to $2.1 million, compared to $3.0 million in the six months ended February 28, 2017. The gross profit, as a percentage of revenues, decreased from 27.6% in the six months ended February 28, 2017, to 14.8% in the six months ended February 28, 2018, which is a consequence of the workers' compensation issue related to fiscal year ended August 30, 2016, as explained in the cost of revenues section above, the additional $0.8 million in workers' compensation insurance expense attributable to the two clients highlighted above and the increase in the Company's state unemployment tax rate.

We anticipate gross profit to increase in the near future from the current level, as a result of positive initiatives that have been implemented in the workers' compensation program, economies of scale and additional profit that will be realized when state unemployment tax limits are attained.

Total Operating Expenses for the six months ended February 28, 2018, have increased by $4.6 million or 124.9% to $8.2 million, compared to $3.7 million for the six months ended February 28, 2017.

The increase in operating expenses is primarily attributed to the development costs incurred for the new technology platform, which increased from $0 in the six months ended February 28, 2017, to $2.4 million in the six months ended February 28, 2018. This software is an important component of our overall Ecosystem and is fundamental to our strategy to establish the first ecosystem that links businesses to a large number of part-time workers and the ever-growing number of shift workers in the new Gig Economy.

Our payroll costs for the six months ended February 28, 2018 increased by $0.8 million to $2.6 million compared to $1.8 million for the six months ended February 28, 2017. Approximately $0.3 million of the increase is attributed to the increase in our corporate payroll employees from an average of 35 for the six months ended February 28, 2017 to 41 employees for the six months ended February 28, 2018. Approximately $0.1 million of the increase is attributed to the stock-based compensation expense resulting from our 2017 Stock Options/ Stock Issuance Plan. Approximately $0.2 million of the increase is attributable to the personal time off expense incurred in the six months ended February 28, 2018, compared to $0 in the six months ended February 28, 2017. Approximately $0.2 million of the increase is attributable to the higher wage mix of employees the Company has compared to the same comparable period in 2017.

Selling, General & Administrative expenses for the six months ended February 28, 2018, increased by $0.9 million to $2.2 million, compared to $1.3 million for the six months ended February 28, 2017. The increase of $0.9 million is primarily attributed to the $0.3 million increase in commissions, which is a direct consequence of the increase in gross billings, a $0.3 million increase in investor relations expenses resulting from being a listed company and finally approximately $0.2 million resulting from various penalties.

Professional fees for the six months ended February 28, 2018, increased by $549k or 121.2% to $1.0 million, compared to $453k for the six months ended February 28, 2017. This increase results from additional audit fees to our year-end audit, consulting fees, other fees incurred following our IPO and fees paid to our directors. We anticipate professional fees and other general & administrative expenses to remain consistent for the remainder of the fiscal year as most of the expenses are fixed in nature.

Net loss/Income. As a result of the explanations described above, the net loss for the six months ended February 28, 2018, was $6.1 million, compared to a net loss of $0.6 million for the six months ended February 28, 2017.

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Going Concern

As of February 28, 2018, the Company had cash and cash equivalents of $0.9 million and a working capital deficiency of $1.5 million. During the six months ended February 28, 2018, the Company used approximately $4.2 million of cash in its operations, of which $3.2 million was attributed to the mobile application development costs and $0.3 million was attributed to the workers' compensation deposit. The Company has incurred recurring losses resulting in an accumulated deficit of $15.5 million as of February 28, 2018. 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 financial statements.

The ability of the Company to continue as a going concern is dependent upon generating profitable operations in the future and obtaining additional funds by way of public or private offering to meet the Company's obligations and repay its liabilities when they become due.

Historically, the Company's principal source of financing has come through the sale of its common stock. The Company successfully completed an Initial Public Offering (IPO) on June 29, 2017, raising a gross amount of $12 million ($10.9 million net of costs).

Exclusive of the development costs, the Company is currently using $0.3 million each quarter from its operations or less than $0.1 million per month. As a consequence of changing certain providers and achieving some economies of scale, the Company has already realized a significant reduction to its workers' compensation expense, which has factored into its reduced cash burn. In addition, the Company continues to experience significant growth in the number of worksite employees. Subsequent to February 28, 2018, the Company has added through executed service agreements, approximately 6 clients, servicing 1,300 worksite employees with approximately $93 million in additional gross billings per year, representing an increase of approximately $1.7 million in gross profit. Our gross billings for the month of March grew 21% sequentially over the month of February.

The key features of the Company's mobile application have been fully developed, one of the key feature has been released and two other key features are now ready to be released at no additional costs, except for the post implementation expenditures. The deployment of these features, expected in the second calendar quarter of 2018, would further accelerate growth as the Company's clients would be able to remediate their turnover issues.

The Company's plans and expectations for the next 12 months include raising capital to help fund expansion of its operations, including product development. The Company engaged an investment banking firm to assist the Company in (i) preparing information materials, (ii) advising the Company concerning the structure, price and conditions and (iii) organizing the marketing efforts with potential investors in connection with a financing transaction

We believe that our current cash position, along with our revenue growth and the financing from potential institutional investors will be sufficient to fund our operations for at least a year from the date these financials are available. If these sources do not provide the capital necessary to fund the Company's operations during the next twelve months from the date of this report, the Company may need to curtail certain aspects of its operations or expansion activities, consider the sale of its assets, or consider other means of financing. The Company can give no assurance that it will be successful in implementing its business plan and obtaining financing on terms advantageous to the Company or that any such additional financing would be available to the Company. These consolidated condensed financial statements do not include any adjustments from this uncertainty.

Non-GAAP Financial Measures

In addition to financial measures presented in accordance with GAAP, we monitor other non-GAAP measures that we use to manage our business, make planning decisions and allocate resources. These key financial measures provide an additional view of our operational performance over the long term and provide useful information that we use to maintain and grow our business. The presentation of these non-GAAP financial measures is used to enhance the understanding of certain aspects of our financial performance. It is not meant to be considered in isolation, superior to, or as a substitute for the directly comparable financial measures presented in accordance with GAAP.

Reconciliation of GAAP to Non-GAAP Measure

	Three Months Ended February 28,		Six Months Ended February 28,	
	2018	**2017**	**2018**	**2017**
Gross Billings	$ 48,636,443	$ 30,758,439	$ 88,813,216	$ 65,795,641
Less: Adjustment to gross billings	40,749,984	25,329,696	74,414,838	54,705,222
Revenues	$ 7,886,459	$ 5,408,743	$ 14,398,378	$ 11,090,419

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Credit Facilities

We have been offered but have not accepted any credit facilities or other access to bank credit.

Capital Expenditures

We do not have any contractual obligations for ongoing capital expenditures at this time. We do, however, purchase equipment and software necessary to conduct our operations on a as needed basis.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements.

Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will be resolved only when one or more future events occur or fail to occur. The Company's management, in consultation with its legal counsel as appropriate, assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, in consultation with legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Not applicable.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company has established disclosure controls and procedures to ensure that information required to be disclosed in this quarterly report on Form 10-Q was properly recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. The Company's controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers to allow timely decisions regarding required disclosure.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) at February 28, 2018 based on the evaluation of these controls and procedures required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Exchange Act. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, at February 28, 2018, our disclosure controls and procedures are not effective.

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Management's Updated Report on Internal Control Over Financial Reporting

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an updated evaluation as of February 28, 2018 of the evaluation of effectiveness of our internal control over financial reporting as of August 31, 2017 based on the framework stated by the Committee of Sponsoring Organizations of the Treadway Commission.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed 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. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on its updated evaluation as of February 28, 2018, our management concluded that our internal controls over financial reporting were not effective as of February 28, 2018 but have been improved since our prior evaluation as of August 31, 2017. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses at February 28, 2018 relate to the following:

1. Lack of Adequate Finance and Accounting Personnel – Our current accounting staff is relatively small, and we do not have the required infrastructure to adequately prepare financial statements in accordance with U.S. GAAP as well as meeting the higher demands of being a U.S. public company. We also lack adequate written policies and procedures for accounting and financial reporting with respect to the requirements and application of GAAP and SEC disclosure requirements. The lack of adequate personnel also creates inadequate segregation of duties, which makes the reporting process susceptible to management override. Since its last fiscal year, the Company has committed to a plan to develop its Accounting and Finance staff to meet the needs of its growing business, including but not limited to the hiring of a new Chief Financial Officer and Controller, the development of training on fraud and accounting topics and has designed controls to mitigate the risks resulting from the lack of segregation of duties. The Company is in the process of finalizing written policies and procedures to formalize the requirements of GAAP and SEC disclosure requirements.

2. Lack of Audit Function Oversight – As of August 31, 2017, we had only one member of the audit committee, and, although the

number of audit committee members and number of independent directors we had at such time complied with applicable rules, we did not have a majority of independent directors on the Company's Board of Directors. This limited our ability to oversee the audit function. On September 28, 2017, following the close of the 2017 fiscal year, we added two additional independent directors to our Board of Directors and to our audit committee such that as of that date we have had an audit committee consisting of three independent directors and a majority of independent directors on our Board of Directors. As of February 28, 2018, we believe that this material weakness has been fully remediated.

3. Account Reconciliations – We lacked sufficient resources with expertise to perform timely and effective account reconciliations. Since our last fiscal year, we have implemented controls and procedures to ensure that accounts are now timely reconciled. As of February 28, 2018, we believe this material weakness has been fully remediated.

4. Lack of Adequate Controls over the Bank Cash Reconciliation Process – We were not able to appropriately reconcile our bank accounts to identify and record cash transactions in a timely fashion. This resulted in material adjustments to cash as well as unlocated differences in cash balances that were recorded to miscellaneous expense. With the added procedures and resources, the Company fully remediated this weakness as of February 28, 2018.

5. Outstanding Share Reconciliation – Unauthorized shares were issued that were not formally authorized or documented by management and the Board of Directors. Upon discovery of the unauthorized shares issuances, such shares were subsequently cancelled. During the six months ended February 28, 2018, the Company has implemented controls to ensure that all shares issued are properly approved by the Board of Directors.

Changes in Internal Control Over Financial Reporting

Other than the changes to our internal controls over financial reporting discussed above, there were no changes that have occurred during the three months ended February 28, 2018, that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings and Risk Factors.

(a) Legal Proceedings.

None.

(b) Risk Factors.

Not required.

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

Set forth below is information regarding securities sold or issued by us during the six months ended February 28, 2018, that were not registered under the Securities Act of 1933, as amended (Securities Act"). Also included is the consideration, if any, received by us for the securities and information relating to the section of the Securities Act, or rule of the Securities and Exchange Commission or SEC, under which exemption from registration was claimed.

Sales of Unregistered Securities

Exercise of warrants

For the six months ended February 28, 2018, certain shareholders who had acquired securities under our past 506(b) offerings, exercised warrants to acquire 25,000 shares of our common stock at an exercise price of $2.00 per share in the amount of $50,000.

Stock options and other equity awards

In March 2017, the Company adopted the 2017 Stock Option / Stock Issuance Plan (the "Plan"). The Plan provides incentives to eligible employees, officers, directors and consultants in the form of incentive stock options, non-qualified stock options and stock. The Company has reserved a total of 10,000,000 shares of common stock for issuance under the Plan. Of these shares, 1,075,000 options and 152,632 shares have been designated by the Board of Directors for issuance through the date of filing of this Quarterly Report, provided, however, that approximately 255,000 of the options have been forfeited and returned to the option pool under the Plan as a consequence of employment terminations. Unless the Plan Administrator otherwise provides, each option is immediately exercisable, but the shares subject to such option will vest over a period of time as follows: 25% vest after a 12-month service period following the award, and the balance vest in equal monthly installments over the next 36 months of service. The issuance of shares under the Plan vest according to terms established for such issuance by the Plan Administrator. As of the date of this Quarterly Report, none of the options has been exercised, and we do not anticipate any person who has been awarded options under the plan to have vested ownership of shares underlying the options until March 2018.

The shares of common stock to be issued upon the exercise of stock options described above will have been issued pursuant to written compensatory plans or arrangements with our employees, directors and consultants, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 701, promulgated under the Securities Act, or the exemption set forth in Section 4(a)(2) under the Securities Act and Regulation D promulgated thereunder relative to transactions by an issuer not involving any public offering. All recipients either will have received adequate information about us or will have had access, through employment or other relationships, to such information.

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We believed that Section 4(a)(2) of the Securities Act of 1933 was available for all issuances above because:

- None of these issuances involved underwriters, underwriting discounts or commissions.
- Restrictive legends were and will be placed on all certificates issued as described above.
- The distribution did not involve general solicitation or advertising.
- The sales of shares underlying the options were made only to existing investors who acquired securities under prior private offerings

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

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Item 6. Exhibits.

(a) Exhibits.

Exhibit No.	Document Description
31.1	CERTIFICATION of CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.
31.2	CERTIFICATION of CFO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.
32.1 *	CERTIFICATION of CEO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEYACT OF 2002.
32.2 *	CERTIFICATION of CFO PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEYACT OF 2002.
Exhibit 101	Interactive data files formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Condensed Balance Sheets, (ii) the Consolidated Condensed Statements of Operations, (iii) the Consolidated Condensed Statements of Cash Flows, and (iv) the Notes to the Consolidated Condensed Financial Statements.**
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**

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* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 of the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ShiftPixy, Inc., a Wyoming corporation

DATE: April 13, 2018

By: */s/ Scott W. Absher*
Scott W. Absher
Principal Executive Officer

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	NAME	TITLE	DATE
/s/ Scott W. Absher	Scott W. Absher	Principal Executive Officer and Director	April 13, 2018

/s/ Patrice H. Launay	Patrice H. Launay	Principal Financial Officer	April 13, 2018

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EXHIBIT INDEX

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* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 of the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

** XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

EXHIBIT 31.1

CERTIFICATION

I, Scott W. Absher, certify that:

1. I have reviewed this report on Form 10-Q of ShiftPixy, 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 periods 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 that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal 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; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. 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 function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

ShiftPixy, Inc.

April 13, 2018

By: */s/ Scott W. Absher*
Scott W. Absher
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Patrice H. Launay, certify that:

1. I have reviewed this report on Form 10-Q of ShiftPixy, 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 periods 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 that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal 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; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. 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 function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

April 13, 2018

By: */s/ Patrice H. Launay*
Patrice H. Launay
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies that the Quarterly Report on Form 10-Q for the period ended February 28, 2018 of ShiftPixy, Inc. (the "Company") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

ShiftPixy, Inc.

April 13, 2018

By: */s/ Scott W. Absher*
Scott W. Absher
Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ShiftPixy, Inc., and will be retained by ShiftPixy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned hereby certifies that the Quarterly Report on Form 10-Q for the period ended February 28, 2018 of ShiftPixy, Inc. (the "Company") fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

April 13, 2018

By: */s/ Patrice H. Launay*
Patrice H. Launay
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to ShiftPixy, Inc. and will be retained by ShiftPixy, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.