BANJO & MATILDA, INC.

FORM 10-K
(Annual Report)

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Address	1221 2ND ST
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended **June 30, 2016**

or

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

For the transition period from ____________ to ____________

Commission file number 000-54277

Banjo & Matilda, Inc.

(Exact name of registrant as specified in its charter).

Nevada	**27-1519178**
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
1221 2nd Street #300 **Santa Monica, CA**	**90401**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(855) 245-1613**

Securities registered under Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
None	**None**

Securities registered under Section 12(g) of the Act:

Common Stock, $0.00001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer (Do not check if a smaller reporting company)	☐	Smaller reporting company	☒

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

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's second fiscal quarter ended December 31, 2015 was $423,511.

As of December 31, 2016, the registrant had outstanding 58,823,116 shares of common stock.

Documents Incorporated by Reference: None.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Report") contains "forward-looking statements" within the meaning of the Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Any statements about our expectations, beliefs, plans, predictions, forecasts, objectives, assumptions, or future events or performance are not historical facts and may be forward-looking. These statements are often, but not always, made through the use of words or phrases such as "anticipate," "believes," "can," "could," "may," "predicts," "potential," "should," "will," "estimate," "plans," "projects," "continuing," "ongoing," "expects," "intends," and similar words or phrases. Accordingly, these statements are only predictions and involve estimates, known and unknown risks, assumptions, and uncertainties that could cause actual results to differ materially from those expressed in them. Our actual results could differ materially from those anticipated in such forward-looking statements as a result of several factors more fully described in Item 1A of this Report under the caption "Risk Factors" and elsewhere in this Report, including the exhibits hereto.

All forward-looking statements are necessarily only estimates of future results, and actual results may differ materially from expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates, or expectations contemplated by us will be achieved. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, and financial needs. You are cautioned not to place undue reliance on such statements which should be read in conjunction with the other cautionary statements that are included elsewhere in this Report. Any forward-looking statement speaks only as of the date on which it is made and we undertake no obligation to update or revise any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Use of Certain Defined Terms

Except where the context otherwise requires and for the purposes of this Report only:

- The "Registrant," "the Company," "we," "our," "us" and similar phrases refer to Banjo & Matilda, Inc., a Nevada corporation which is a reporting company under the Exchange Act.
- "Banjo & Matilda" and "B&M" refer to the two operating subsidiaries Banjo & Matilda (Australia) Pty Ltd, a corporation organized under the laws of Australia, and Banjo & Matilda (USA), Inc a corporation organized under the laws of Delaware, both wholly-owned subsidiaries of the Registrant.
- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended.
- "SEC" refers to the Securities and Exchange Commission.
- "Securities Act" refers to the Securities Act of 1933, as amended.

Item 1. Business

Banjo & Matilda (www.banjoandmatilda.com) is an e-commerce only, direct to consumer, accessible luxury brand targeting high value consumers in the Generation X & Baby Boomer demographics.

Corporate History

Banjo & Matilda, Inc. was originally incorporated in Nevada on December 18, 2009 under the name Eastern World Group, Inc. and changed its name to Banjo & Matilda, Inc. on September 24, 2013 and is now located in Santa Monica, California.

Acquisition of Banjo & Matilda Pty Ltd.

Prior to the acquisition of Banjo & Matilda Pty Ltd. under the Exchange Agreement defined below, we were a development stage company without any operating revenues or earnings. Time and resources of the then-management was dedicated to organize the Registrant, obtaining interim financing, and developing a business plan.

On November 14, 2013, we entered into a share exchange agreement (the "Exchange Agreement") with Banjo & Matilda Pty Ltd, ("Banjo & Matilda") and the shareholders of Banjo & Matilda ("B&M Shareholders"). Pursuant to the Exchange Agreement, 100% of the issued and outstanding capital stock of Banjo & Matilda was acquired, making it a wholly-owned subsidiary of ours (the "Transaction"). There was no prior relationship between the Company and its affiliates and Banjo & Matilda and its affiliates.

In consideration for the purchase of 100% of the issued and outstanding capital stock of Banjo & Matilda under the Exchange Agreement, we issued B&M Shareholders an aggregate of 24,338,872 restricted shares of common stock of the Company.

On November 15, 2013, we entered into an employment agreement with the Banjo & Matilda co-founders: Brendan Macpherson, as the chief executive officer of the Registrant, and Belynda Storelli Macpherson, as its chief creative officer. Each employment agreement has an initial term of three years and will automatically renew for an additional term of three years. Either party may elect not to renew the Employment Agreement by written notice delivered to the other party no later than August 30 th of the final year of the term. In addition, either employee may terminate the employment agreement upon 30 days written notice.

On July 1 st 2015, the operations of Banjo & Matilda Pty Ltd were transferred to Banjo & Matilda (Australia) Pty Ltd. A wholly owned subsidiary of Banjo & Matilda Inc.

Company Overview

Banjo & Matilda was founded by Australian born creative director Belynda Storelli Macpherson in 2009, after an extensive career in publicity, fashion publishing and marketing. Prior companies where Belynda worked include Grazia, Harpers Bazaar and Maddison fashion magazines, major film studios including Warner Brothers, Universal Studios and Columbia Tri-Star Pictures; and, the Australian tourism industry marketing body Tourism Australia. Belynda also founded her own publicity firm “Global Artist” which she successfully sold to a larger group in 2002.

Belynda identified the emerging casualization of the luxury fashion market and combined her passion for cashmere, the Australian beach lifestyle and frustration over the lack of accessible quality cashmere to create a new, more relevant luxury brand. One that was born on line as a direct to consumer e-commerce model thereby eliminating the unnecessary margin's that department and specialty stores take, enabling the brand to focus on a luxury quality product, but without inflated luxury prices. The brands heritage centered on its easy luxury lifestyle of beach, travel, and health and wellness which Australia is best known for has been a key driver in the brands growing popularity and the position it has secured in the market.

General Market issues; Market opportunity

Total global apparel sales reached $1.2T+ in 2015, with total sales expected to grow at 5-6%+ over the next 5 years. The traditional apparel market sales model is experiencing significant challenges due to the structural issues physical store retailers face. Increasing competition and market share taken by e-commerce retailers, overbuilt expensive retail store networks, falling foot traffic, and greater competition and discounting has meant many retailers margins are decreasing, at the same time gross physical store sales are static or declining. There are an increasing number of physical retailers experiencing declining profitability and business failure mostly affected by these issues.

These issues are also negatively impacting traditional apparel and lifestyle brands and not just retailers. Traditional brands rely heavily on the traditional wholesale-to-retail sales model. The cost of higher returns from major retailers who are struggling to sell through product, discounts demanded by retailers to suppliers and brands, and higher bad debts as a result of smaller retailers failing, is driving decreased profitability and failure.

This market is ripe for disruption. E-commerce direct-to-consumer (or vertical) brands can now provide a higher quality product at a lower price than traditional brands by avoiding the traditional retail mark-up taken by department and specialty stores. This proposition provides a significant consumer benefit. Combine the price-to-quality product advantage with sophisticated digital marketing efficiently acquiring and re-engaging customers via online marketing, digitally media rich story-telling, social media and technology, is driving a rapid expansion of the digital vertical brands.

Sales via e-commerce for apparel, luxury and well-being related goods is now the fastest growing sales channel for these consumer segments. Purchasing online has now reached a critical mass which should enable brands like Banjo & Matilda to build a successful large scale direct-to-consumer e-commerce centric business.

Banjo & Matilda is known as a modern luxury brand specializing in luxury quality casual cashmere knitwear which retails for 1/2 to 1/3 rd of the price of a traditional luxury brand of similar quality. It has an authentic brand heritage founded in Australia in 2009, encapsulating the iconic surf, sand, sun and healthy living lifestyle that Australia has become known for. Streamlining the production process by partnering with cashmere yarn producers in inner Mongolia (where 98% of the world’s cashmere originates), and manufacturing in specialist factories with deep knitting expertise, the Company sells directly to customers online, avoiding the typical costs of wholesale/retailer mark-up -- conveniently delivering a luxury quality product at an accessible price point.

Our Products

Banjo & Matilda offers a comprehensive line of luxury women's cashmere knitwear including sweaters and pants, and accessories such as cashmere scarves, slippers, eye-masks and travel blankets. Banjo & Matilda also collaborates with high profile artists and celebrities to create exclusive limited edition pieces. In 2015, the Company collaborated with Gwyneth Paltrow and her successful lifestyle blog GOOP, with prior collaborations including singer Bryan Adams, prominent businesswoman, television host, model and actress Elle Macpherson, British artist Tracey Emin and Australian singer/songwriter, model and actress Natalie Imbruglia. The Company is planning to expand its product lines to include broader lifestyle offering of apparel items, home products, menswear, children's apparel, and gifts.

Product Manufacturing

Banjo & Matilda use third party contract manufacturers rather than owning operating low margin manufacturing facilities itself. All yarns and fabrics are sourced from reputable suppliers. Materials used are typically the highest grade that can be sourced. Banjo & Matilda works with various manufacturers at any one time, with two manufacturers each accounting for 10% or more of annual manufacturing costs; however, the Company believes that all of its manufacturers are replaceable without adversely affecting its business. Our manufacturers provide us with the speed to market necessary to respond quickly to changing trends and increased demand. While we believe that we have a good relationship with our manufacturers, we do not have any long-term agreements requiring us to use any manufacturer, and no manufacturer is required to produce our products pursuant to a long-term contract. We regularly secure and test new manufacturing partners and believe that the services of additional, or other, manufacturers and/or suppliers of our fabrics are available.

Product Distribution

The Company was founded as an e-commerce only direct to consumer model – distribution only online via its e-commerce store www.banjoandmatilda.com. In 2012 we opened a "guide store" in Sydney Australia. In 2013 we embarked on a strategic wholesale program to assist driving brand awareness and revenue growth in the Northern Hemisphere markets. Through the 2015 period in conjunction with our relocation to the US, we scaled the wholesale business and operations reaching 200+ retail outlets, stocked in major department stores and key independent boutiques. As a result of the increased overheads and falling gross margins from wholesale sales due to the shifts and issues occurring in the physical retail landscape, the Company withdrew from the wholesale distribution channel in January 2016 to focus on its core e-commerce business model.

Competition

There is meaningful competition in the luxury apparel industry with emphasis on the brand image and recognition as well as product quality, style, and distribution. Banjo & Matilda successfully competes thanks to a premium and unique brand, unique designs, and attainable price points previously not available in the luxury product sector. This enables the brand to acquire and keep customers which would not typically purchase traditional luxury products due to the much higher price points. There are limited entrants into the market with similar cashmere focused e-commerce offerings which directly compete in terms of product quality and price point.

Intellectual Property

Banjo & Matilda has registered trademarks in Australia and the USA. We believe we own the material trademarks used in connection with the marketing, distribution and sale of all of our products in Australia, the United States, and Europe (and in the other countries in which our products are currently or intended to be either sold or manufactured). We also own the (i) website URL's including and associated to banjoandmatilda.com (as well as banjoandmatilda.au, banjoandmatilda.com, thesweaterexchange.com etc.), (ii) account "@BanjoMatilda" on Twitter, (iii) account "@Banjoandmatilda" on Instagram and (iv) Facebook page "Banjo & Matilda". We also maintain an account on Pinterest.com.

Employees

As of December 1, 2016, we had 6 employees located in the United States and Australia.

Key Management

In addition to Belynda Storelli Macpherson, the Company considers its CEO, Brendan Macpherson, a key member of its management team. Brendan Macpherson oversees operations, finance, and marketing.

Item 1A . Risk Factors

An investment in our common stock involves a high degree of risk. In evaluating us and our business, you should carefully consider the risks and uncertainties described below and the other information and our consolidated financial statements and related notes included herein. The risks provided below may not be all the risks we face. If any of events described in the risks below actually occurs, our financial condition or operating results may be materially and adversely affected, the price of our common stock may decline, perhaps significantly, and you could lose all or a part of your investment.

Risks Related to Our Business

History of Losses and Expectation of Future Losses

For the fiscal years ended June 30, 2016 and 2015, we had a net loss of $1,115,977 and $2,004,722, respectively, and we expect losses in future periods. There can be no assurance that we will ever become profitable.

Our fiscal 2016 audited financial statements contain a going-concern qualification, raising questions as to our continued existence.

The Company's financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern. This contemplates the realization of assets and the liquidation of liabilities in the normal course of business. Currently, the Company does not have sufficient cash, nor does it have operations or a source of revenue sufficient to cover its operation costs and allow it to continue as a going concern. The Company has reported accumulated deficit as of June 30, 2016, of $4,217,982. Further losses are anticipated as we continue in the development stage of our business. We will be dependent upon the raising of additional capital through placement of our equity and/or debt securities in order to implement our business plan. There can be no assurance that we will be successful in either situation in order to continue as a going concern. Failure to raise the required capital to fund operations, on favorable terms or at all, will have a material adverse effect on our operations, and will likely cause us to curtail or cease operations.

As a result, in their audit report contained in this Annual Report, our independent auditors expressed substantial doubt about our ability to continue as a going concern. As of the date of this Annual Report, we will require additional funds for fiscal 2017. If we cannot raise these funds, we may be required to cease business operations or alter our business plan. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Our business plan requires additional capital, which we may be unable to raise on acceptable terms, if at all, in the future, which may in turn limit our ability to execute our business strategy.

As of June 30, 2016, we had a cash balance of $11,056 and a working capital deficit of $2,241,374. Our net loss of $1,115,977 in the year ended June 30, 2016 was mostly funded by proceeds raised from debt financings.

The Company has entered into an equity line funding agreement with Spider Investments, LLC to sell up to $1,500,000 of our common stock, subject to certain terms and conditions some of which are out of our control, including the (i) filing and obtaining effectiveness of a registration statement registering the issuance of our shares of common stock under the Act to be issued pursuant to the equity line and (ii) certain volume and other trading conditions of our common stock. We plan to file the registration statement within 30 days from the date hereof and to obtain effectiveness thereof as soon as practicable.

We will need to raise working capital of between $2 million to $3 million (or refinance existing short-term debt to long-term debt) to fund operations in 2017. Future equity financings may be dilutive to our stockholders. Alternative forms of future financings may include preferences or rights superior to our common stock. Debt financings may involve a pledge of assets and will rank senior to our common stock. We have historically financed our operations through best-efforts private equity and debt financings. We do not have any credit or equity facilities available with financial institutions, stockholders or third party investors, and will continue to rely on best efforts financings. The failure to raise sufficient capital could cause us to cease operations.

Any material disruption of our information systems could disrupt our business and reduce our sales. We are dependent on information systems to operate our e-commerce websites, process transactions, respond to guest inquiries, manage inventory, purchase, sell and ship goods on a timely basis and maintain cost-efficient operations. Any material disruption or slowdown of our systems, including a disruption or slowdown caused by our failure to successfully upgrade our systems, system failures, viruses, computer "hackers" or other causes, could cause information, including data related to customer orders, to be lost or delayed which could result in delays in the delivery of products to our retail and wholesale customers or lost sales, which could reduce demand for our products and cause our sales to decline. If changes in technology cause our information systems to become obsolete, or if our information systems are inadequate to handle our growth, we could lose retail or wholesale customers.

The fluctuating cost of raw materials, particularly cashmere, could increase our cost of goods sold and cause our results of operations and financial condition to suffer. The fabric used to make our products is primarily cashmere, although we also use natural fibers, including cotton. Our costs for raw materials are affected by, among other things, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. Increases in the cost of raw materials, including petroleum or the prices we pay for our yarn, could have a material adverse effect on our cost of goods sold, results of operations, financial condition and cash flows.

The apparel industry is heavily influenced by general macroeconomic cycles that affect consumer spending, and a prolonged period of depressed consumer spending could have a material adverse effect on our business, financial condition and operating results. The apparel industry has historically been subject to cyclical variations, recessions in the general economy and uncertainties regarding future economic prospects that can affect consumer spending habits. Purchases of luxury items, such as our products, tend to decline during recessionary periods, when disposable income is lower. The success of our operations depends on a number of factors impacting discretionary consumer spending, including general economic conditions, consumer confidence, wages and unemployment, housing prices, consumer debt, interest rates, fuel and energy costs, taxation and political conditions. A continuation or worsening of the current weakness in the global economy or the economy in our key markets (Australia, the United States and Europe) may negatively affect consumer and wholesale purchases of our products and could have a material adverse effect on our business, financial condition and operating results.

Privacy breaches and other cyber security risks related to our e-commerce business could negatively affect our reputation, credibility and business. We are responsible for storing data relating to our customers and employees and rely on third parties for the operation of parts of our e-commerce website, *banjoandmatilda.com* , and for the various social media tools and websites we use as part of our marketing strategy. Our online store on our website is operated by a third-party provider. Consumers, lawmakers and consumer advocates alike are increasingly concerned over the security of personal information transmitted over the Internet, consumer identity theft and privacy. We require that our third-party service provider implements reasonable security measures to protect our customers' identity and privacy. We do not, however, control these third-party service providers and cannot guarantee that no electronic or physical computer break-ins and security breaches will occur in the future. Likewise, our systems and technology are subject to the risk of system failures, viruses, “hackers” and other causes that are out of our control. Any perceived or actual unauthorized disclosure of personally identifiable information regarding our customers or website visitors could harm our reputation and credibility, reduce our online sales, impair our ability to attract website visitors and reduce our ability to attract and retain customers, and potentially expose us to significant related liability. Finally, we could incur significant costs in complying with the multitude of local, national and foreign laws regarding the use and unauthorized disclosure of personal information (to the extent they are applicable). We also may incur significant costs in our implementation of additional security measures to comply with applicable laws and industry standards and to further protect customer data.

The departure of our co-founders could have a material adverse effect on our business. We depend on the services and management experience of our co-founders, Belynda Storelli Macpherson and Brendan Macpherson, who have substantial experience and expertise in our business. In particular, Ms. Macpherson has provided design leadership to Banjo & Matilda since its inception. She is instrumental to our marketing and publicity strategy and is closely identified with both our brand and Company. Our ability to maintain our brand image and leverage the goodwill associated with Ms. Macpherson may be damaged if we were to lose her services. We have an employment agreement with Ms. Macpherson, but she has the right to terminate her employment agreement at any time upon 30 days written notice. The employment agreement contains a covenant not to compete, but it is only applicable if her severance payments equal at least $100,000 and is limited to six months’ duration and geographically to within a five-mile radius of any location where we design, manufacture or sell our knitwear. Accordingly, Ms. Macpherson could terminate her employment agreement with us and within a short time engage in a competing business, which could materially adversely affect us. In addition, the leadership of Brendan Macpherson, our Chief Executive Officer, has been a critical element of Banjo & Matilda's success. Mr. Macpherson also has the right, under his employment agreement with us, to terminate his employment at any time upon 30 days written notice. The loss of services of Mr. Macpherson and/or Ms. Macpherson or any negative public perception with respect to, or relating to, the loss of one or more of these individuals could have a material adverse effect on our business, financial condition and operating results.

If our manufacturing contractors fail to use acceptable, ethical business practices, our business and reputation could suffer. We do not own or operate any manufacturing facilities. We use third-party contract manufacturers, mostly in China. We require our manufacturing contractors to operate in compliance with applicable laws, rules and regulations regarding working conditions, employment practices and environmental compliance. Additionally, we impose upon our business partners operating guidelines that require additional obligations in those three areas in order to promote ethical business practices, and our staff and third parties we retain for such purposes periodically visit and monitor the operations of our manufacturing contractors to determine compliance. However, we do not control our manufacturing contractors or their labor and other business practices. If one of our manufacturing contractors violates applicable labor or other laws, rules or regulations or implements labor or other business practices that are generally regarded as unethical in our markets, such as Australia, Europe or the United States, the shipment of finished products to us could be interrupted, orders could be cancelled, relationships could be terminated and our reputation could be damaged. Any of these events could have a material adverse effect on our business, financial condition and operating results.

Due to the highly competitive nature of the apparel industry, our success depends on our ability to meet consumer demands, respond to fashion trends, and provide superior quality. There is intense competition in the sector of the apparel industry in which Banjo & Matilda participates. Banjo & Matilda competes with many other apparel companies, some of which are larger and have greater financial resources, more comprehensive product lines; longer-standing relationships with suppliers, manufacturers, and retailers; greater distribution and marketing capabilities; and, stronger brand recognition and loyalty than Banjo & Matilda. Our competitors' greater capabilities in these areas may enable them to better differentiate their products from Banjo & Matilda, withstand periodic downturns in the apparel industry, compete more effectively on the basis of price and production and more quickly develop new products. Management of Banjo & Matilda believes in order to be successful in this industry we must be able to evaluate and respond to changing consumer demand and taste and to remain competitive in the areas of style and quality while operating within the significant domestic and foreign production and delivery constraints of the industry.

Our inability to successfully manage the growth of our business may have a material adverse effect on our business, results of operations and financial condition . We intend to continue our growth strategy to grow our online customer base and sales, wholesale customer base, expand our product offerings and add retail stores. Our ability to execute this growth strategy is subject to significant risks, some of which are beyond our control, including:

- the inherent uncertainty regarding general economic conditions;
- our ability to obtain adequate financing for our expansion plans;
- the degree of competition in new markets and its effect on our ability to attract new customers; and
- our ability to recruit qualified personnel, in particular in areas where we face a great deal of competition.

Our future success will be highly dependent upon our ability to manage successfully the expansion of our operations. Our ability to manage and support our growth effectively will be substantially dependent on our ability to implement adequate improvements to our financial, inventory, and management controls, and hire sufficient numbers of effective financial, accounting, administrative, and management personnel. We may not succeed in our efforts to identify, attract and retain such personnel.

We are already highly leveraged and our growth strategies require significant capital investments and may require us to seek external financing, which may not be available on terms favorable to us . Our business operations and growth strategies require substantial capital investments, the availability of which depends on our ability to generate cash flow from operations, borrow funds on satisfactory terms and raise funds in the capital markets. Our ability to arrange for financing to support our capital expenditures and the cost of such financing are dependent on numerous factors, including general economic and capital markets conditions, interest rates and credit availability from banks or other lenders, many of which are beyond our control. In addition, increases in interest rates or the failure to obtain external financing on terms favorable to us will affect our financing costs and our results of operations. We are already highly leveraged and rely on capital contributions and loans from our principal shareholders and third parties. We may not be able to obtain future financing in amounts or on terms acceptable to us. The failure to obtain financing to fund operations, on favorable terms or at all, will have a material adverse effect on our operations and will likely cause us to curtail operations.

Fluctuations in exchange rates could adversely affect our business as well as result in foreign currency exchange losses in our U.S. dollar financials . During the year ended June 30, 2016, the transactions of the Company were denominated in US dollars. All the transactions which were denominated in other currencies were converted to US$ on the date of settlement and the exchange gains and losses were recorded in the statement of operations. No change was recorded in the comprehensive income (loss). During the year ended June 30, 2015, the accounts of the Company were maintained, and its financial statements were expressed, in AUD. Such financial statements were translated into USD with the AUD as the functional currency. All assets and liabilities were translated at the exchange rate at the balance sheet date, stockholder's equity is translated at the historical rates and income statement items are translated at the average exchange rate for the period. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction, and valuation can be affected by, among other things, changes in political and economic conditions and U.S. and Australian foreign exchange policies.

We are required to make significant estimates and assumptions in the preparation of our financial statements and our estimates and assumptions may not be accurate . The preparation of our financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires our management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Critical estimates include, among other things, the collectability of accounts receivable, accounts payable, sales returns and recoverability of long-term assets. If our underlying estimates and assumptions prove to be incorrect, our financial condition and results of operations may be materially different from that reported in our financial statements.

Risks Related to Our Common Stock and Our Status as a Public Company

We may need to raise additional capital by sales of our common stock, which may adversely affect the market price of our common stock and your rights in us may be reduced. We will need to raise additional funds to expand our online sales, increase wholesale sales, expand our product lines and add retail stores. In order to satisfy our funding requirements, we may consider issuing additional debt or equity securities. If we issue equity or convertible debt securities to raise such additional funds, our existing stockholders may experience dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses and potentially lower our credit ratings. We may not be able to market such issuances on favorable terms, or at all, in which case, we may not be able to develop or enhance our products, execute our business plan, take advantage of future opportunities or respond to competitive pressures.

There is a limited public trading market for our common stock, which may have an unfavorable impact on our stock price and liquidity. Our common stock is not listed on any exchange; it is quoted on the OTCPink quotation service. As of the date of this Form 10-K, our trading symbol has a "stop" designation meaning that we currently do not provide disclosure. We plan to bring our public disclosure current and to use our best efforts to remove this "stop" designation. We have not engaged a broker-dealer to make a market in our common stock. There has been a limited trading market for our common stock in the past and there can be no assurance that a trading market in our shares of common stock will develop and be sustained. The trading market for securities of companies quoted on the OTCPink or other quotation systems is substantially less liquid than the average trading market for companies listed on Nasdaq or a national securities exchange. The quotation of our shares on the OTCPink or other quotation system may result in a less liquid market available for existing and potential shareholders to trade shares of our common stock, could depress the trading price of our common stock and could have a long-term adverse impact on our ability to raise capital in the future. Holders of our common stock should be willing to hold onto their shares for a long period of time.

State securities laws may limit secondary trading, which may restrict the states in which and conditions under which you can sell the shares offered by this prospectus. Secondary trading in our common stock will not be possible in any state until the common stock is qualified for sale under the applicable securities laws of the state or there is confirmation that an exemption, such as listing in certain recognized securities manuals, is available for secondary trading in the state. If we fail to register or qualify, or to obtain or verify an exemption for the secondary trading of, the common stock in any particular state, the common stock could not be offered or sold to, or purchased by, a resident of that state. In the event that a significant number of states refuse to permit secondary trading in our common stock, the liquidity for the common stock could be significantly impacted thus causing you to realize a loss on your investment.

The Registrant's board of directors designated a series of preferred stock without shareholder approval that has voting rights that adversely affect the voting power of holders of the Registrant's common stock and may have an adverse effect on its stock price. The Registrant's Certificate of Incorporation provides for the authorization of 100,000,000 shares of "blank check" preferred stock. Pursuant to our Articles of Incorporation, the Registrant's Board of Directors is authorized to issue such "blank check" preferred stock with rights that are superior to the rights of stockholders of the Registrant's common stock, including a conversion price then approved by our Board of Directors, which conversion price may be substantially lower than the market price of shares of the Registrant's common stock, without stockholder approval. In connection with the Registrant's employment agreement with its Chief Executive Officer, Brendan Macpherson, the Board of Directors authorized 1,000,000 shares of preferred stock with each share having 100 votes until Mr. Macpherson's employment agreement expires or terminates. The Registrant issued the 1,000,000 shares of preferred stock to Mr. Macpherson pursuant to his employment agreement and, upon the filing of a certificate of designation for such preferred shares and the subsequent issuance of such shares, Mr. Macpherson gained voting control of the Registrant, which has a negative effect on the voting power of the holders of the Registrant's common stock and may cause its stock price to decline **.**

Brendan Macpherson, our Chief Executive Officer, has significant influence over us, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of key transactions, including a change of control. Brendan Macpherson, our Chief Executive Officer, owns significant portion of our outstanding shares of common stock, and 1,000,000 shares of super-voting preferred stock until his employment agreement expires or terminates, and consequently has effective control over our business, including matters requiring the approval of our stockholders, such as election of directors, approval of significant corporate transactions and the timing and distribution of dividends, if any, on our common stock. In addition, Mr. Macpherson controls our policies and operations, including, among other things, the appointment of management, future issuances of our common stock or other securities, the incurrence of debt by us, and the entering into of extraordinary transactions.

Mr. Macpherson may have interests that do not align with the interests of our other stockholders, including with regard to pursuing acquisitions, divestitures, and other transactions that, in his judgment, could enhance his equity value, even though such transactions might involve risks to our other stockholders. For example, Mr. Macpherson could cause us to make acquisitions that increase our indebtedness. Mr. Macpherson will have effective control over our decisions to enter into such corporate transactions regardless of whether others believe that any transaction is in our best interests. Such control may have the effect of delaying, preventing, or deterring a change of control of our Company, could deprive stockholders of an opportunity to receive a premium for their common stock as part of a sale of our Company, and might ultimately affect the market price of our common stock.

We will incur significant costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance requirements, including establishing and maintaining internal controls over financial reporting, and we may be exposed to potential risks if we are unable to comply with these requirements. As a public company, we will incur significant legal, accounting and other expenses under the Sarbanes-Oxley Act of 2002, together with rules implemented by the Securities and Exchange Commission and applicable market regulators. These rules impose various requirements on public companies, including requiring certain corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluations and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Compliance with Section 404 may require that we incur substantial accounting expenses and expend significant management efforts. We have concluded that our disclosure controls and procedures and our internal controls over financial reporting are not effective due to material weaknesses identified in our internal controls over financial reporting. These material weaknesses include: lack of a full-time Chief Financial Officer with accounting expertise, lack of a formal review process and ineffective oversight due to the lack of an audit committee comprised of independent directors. Remediating these weaknesses will require the expenditure of capital to hire additional staff and other measures. If we cannot take steps to timely remediate the weaknesses in our internal controls, the market price of our stock could decline if investors and others lose confidence in the reliability of our financial statements. Similarly, we could have difficulty attracting third-party lenders and market-makers in our common stock if such lenders or broker-dealers believe they cannot rely on our financial statements as materially accurate. In addition, we could be subject to sanctions or investigations by the SEC or other applicable regulatory authorities.

Our management is not familiar with the United States securities laws. Our management is generally unfamiliar with the requirements of the United States securities laws, our Chief Executive Officer and Chief Financial Officer, Brendan Macpherson, does not possess accounting expertise which could adversely impact our ability to comply with legal, regulatory, and financial reporting requirements under the U.S. securities laws. Our management may not be able to implement programs and policies in an effective and timely manner to adequately respond to such legal, regulatory and reporting requirements, including the establishment and maintenance of internal control over financial reporting. Any such deficiencies, weaknesses or lack of compliance could have a materially adverse effect on our ability to comply with the reporting requirements of the Exchange Act, which are necessary to maintain public company status, and could result in investigations by the Securities and Exchange Commission, and other regulatory authorities that could be costly, divert management's attention and disrupt our business. If we were to fail to fulfill those obligations, our ability to operate as a public company would be in jeopardy, in which event you could lose your entire investment in our Company. The Company utilized a third-party consultant to help with reporting in accordance with US GAAP and filing with SEC.

If a trading market in our common stock ever develops, the market price of our common stock can become volatile, leading to the possibility of its value being depressed at a time when you may want to sell your holdings . If a trading market in our common stock develops, the market price of our common stock could become volatile. Numerous factors, many of which are beyond our control, may cause the market price of our common stock to fluctuate significantly. These factors include:

- our earnings releases, actual or anticipated changes in our earnings, fluctuations in our operating results or our failure to meet the expectations of financial market analysts and investors;
- changes in financial estimates by us or by any securities analysts who might cover our stock;
- speculation about our business in the press or the investment community;
- significant developments relating to our relationships with our wholesale customers or suppliers;
- stock market price and volume fluctuations of other publicly traded companies and, in particular, those that are in our industry;
- customer demand for our products or luxury goods in general;
- investor perceptions of our industry in general and Banjo & Matilda in particular;
- the operating and stock performance of comparable companies;
- general economic conditions and trends;
- changes in accounting standards, policies, guidance, interpretation or principles;
- loss of external funding sources;
- sales of our common stock, including sales by our directors, officers or significant stockholders; and
- additions or departures of key personnel.

Securities class action litigation is often instituted against companies following periods of volatility in their stock price. Should this type of litigation be instituted against us, it could result in substantial costs to us and divert our management's attention and resources. Moreover, securities markets may from time to time experience significant price and volume fluctuations for reasons unrelated to the operating performance of particular companies. These market fluctuations may adversely affect the price of our common stock and other interests in our Company at a time when you want to sell your interest in us.

We do not intend to pay dividends for the foreseeable future. We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Our common stock is considered "a penny stock" and, as a result, it may be difficult to trade a significant number of shares of our common stock. The SEC has adopted regulations that generally define "penny stock" to be an equity security that has a market price of less than $5.00 per share, subject to specific exemptions. Since our common stock has been eligible for quotation on the OTC markets (such as the bulletin board), the market price of our common stock has been less than $5.00 per share. We expect the market price for our common stock will remain less than $5.00 per share for the foreseeable future and, therefore, may be a "penny stock" according to SEC rules. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell our common stock and may affect the ability of investors hereunder to sell their shares. In addition, because our stock is quoted on the OTC markets, investors may find it difficult to obtain accurate quotations of the stock and may experience a lack of buyers to purchase such stock or a lack of market makers to support the stock price.

As a former shell company, holders of restricted shares of our common stock cannot rely on Rule 144 to resell their shares until the conditions of the rule are met. Prior to the consummation of the Exchange Agreement, we were considered a shell company. As a result, we are subject to the provisions of Rule 144(i) which limit reliance on Rule 144 by shareholders owning stock in a shell company (or a former shell company). Under current interpretations, unregistered shares issued after we first became a shell company cannot be resold under Rule 144 until the following conditions are met:

- We cease to be a shell company;
- We remain subject to the Exchange Act reporting obligations;
- We file all required Exchange Act reports during the preceding 12 months; and
- At least one year has elapsed from the time we filed our "Form 10 information" reflecting the fact that we ceased to be a shell company.

Consequently, until the first anniversary of the filing of our Current Report on Form 8-K, filed November 18, 2013, reflecting that we ceased to be a shell company, holders of restricted shares of our common stock cannot rely on Rule 144 to sell such shares, and may do so then only if we have then filed all required Exchange Act reports during the preceding 12 months **.**

Item 2 . Properties

The Company currently subleases facility in Santa Monica United States as its principle operational headquarters and executive offices on an as needed basis. Banjo & Matilda (Australia) Pty Ltd leases a 1,076 square foot retail store located at 76 William Street, Paddington, New South Wales, Australia. Banjo & Matilda leases these premises on a month to month basis. The monthly fixed rent for this space is approximately $3,471 per month. Management believes that the facilities are adequate for the Company's current needs and for the foreseeable future. In addition, management believes the terms of the leases are consistent with market standards and were arrived at through arm's-length negotiation.

Item 3 . Legal Proceedings

We are not a party to any pending litigation and to our knowledge, no such litigation is contemplated or threatened. To our knowledge, none of our directors, officers, 5% shareholders or affiliates are party to any legal proceedings that would have a material adverse effect on our business, financial condition or operating results.

Item 4 . Mine Safety Disclosures.

Not Applicable.

PART II

Item 5 . Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is quoted on the OTCPink quotation under the symbol "BANJ."

Shares of our common stock have historically been thinly traded, and currently there is no active trading market for our common stock. As a result, our stock price as quoted by the OTCPink may not reflect an actual or perceived value. The following table sets forth the approximate high and low bid prices for our common stock for the last two fiscal years and interim periods. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Period	High Bid	Low Bid
July 1, 2016 through September 30, 2016	$ 0.035	$ 0.0162
October 1, 2016 through December 31, 2016	$ 0.035	$ 0.0216

Period	High Bid	Low Bid
July 1, 2015 through September 30, 2015	$ 0.09	$ 0.02
October 1, 2015 through December 31, 2015	$ 0.08	$ 0.02
January 1, 2016 through March 31, 2016	$ 0.08	$ 0.02
April 1, 2016 through June 30, 2016	$ 0.035	$ 0.02

Period	High Bid	Low Bid
July 1, 2014 through September 30, 2014	$ 0.37	$ 0.20
October 1, 2014 through December 31, 2014	$ 0.35	$ 0.10
January 1, 2015 through March 31, 2015	$ 0.12	$ 0.01
April 1, 2015 through June 30, 2015	$ 0.20	$ 0.04

Our Transfer Agent

We have appointed Olde Monmouth Stock Transfer Company, with offices at 200 Memorial Parkway, Atlantic Highlands, New Jersey 07716, phone number 732-872-2727, as transfer agent for our shares of common stock. The transfer agent is responsible for all record-keeping and administrative functions in connection with our shares of common stock.

Holders

As of December 31, 2016, there are approximately 129 holders of record of our common stock.

Dividends

We have not declared any cash dividends, nor do we intend to do so in the foreseeable future.

Penny Stock Regulations

The SEC has adopted regulations which generally define so-called "penny stocks" to be an equity security that has a market price less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exemptions. The Registrant's common stock is a "penny stock" and is subject to Rule 15g-9 under the Exchange Act, or the Penny Stock Rule. This rule imposes additional sales practice requirements on broker-dealers that sell such securities to persons other than established customers and "accredited investors" (generally, individuals with a net worth in excess of $1,000,000 or annual incomes exceeding $200,000, or $300,000 together with their spouses). For transactions covered by Rule 15g-9, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. As a result, this rule may affect the ability of broker-dealers to sell our securities and may affect the ability of purchasers to sell any of our securities in the secondary market, thus possibly making it more difficult for us to raise additional capital.

For any transaction involving a penny stock, unless exempt, the rules require delivery, prior to any transaction in penny stock, of a disclosure schedule required by the SEC relating to the penny stock market. Disclosure is also required to be made about sales commissions payable to both the broker-dealer and the registered representative and current quotations for the securities. Finally, monthly statements are required to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stock.

There can be no assurance that the Registrant's common stock will qualify for exemption from the Penny Stock Rule. Even if the Registrant's common stock were exempt from the Penny Stock Rule, the Registrant would remain subject to Section 15(b)(6) of the Exchange Act, which gives the SEC the authority to restrict any person from participating in a distribution of penny stock, if the SEC finds that such a restriction would be in the public interest.

Rule 144

The Registrant was considered a shell company. As a result, the Registrant is subject to the provisions of Rule 144(i) which limit reliance on Rule 144 by shareholders owning stock in a shell company (or a former shell company). Under current interpretations, unregistered shares issued after the Registrant first became a shell company cannot be resold under Rule 144 until the following conditions were met:

- The registrant ceases to be a shell company;
- The Registrant remains subject to the Exchange Act reporting obligations;
- The Registrant files all required Exchange Act reports during the preceding 12 months; and
- At least one year has elapsed from the time the Registrant files "Form 10 information" reflecting the fact that the Registrant ceased to be a shell company.

Consequently, until the Company becomes current in its Exchange Act filings, holders of the Registrant's common stock cannot rely on Rule 144 to sell restricted shares of common stock, and may do so then only if we have then filed all required Exchange Act reports during the preceding 12 months **.**

Securities Authorized for Issuance under Equity Compensation Plans

The Registrant does not have any equity compensation plans and accordingly there are no shares authorized for issuance under an equity compensation plan.

Issuer Purchases of Our Equity Securities

In July 2014, the Company issued 55,200 shares of the Company stock for $13,800 or $0.25 per share to an individual investor.

In October 2014, the Company issued (i) 5,833,333 shares of the Company stock to the original shareholders of Banjo & Matilda Pty Ltd related to the merger and reorganization based on the original agreement, and (ii) 92,593 shares of common stock to an individual for compensation from Banjo Australia, valued at $15,339 or approximately $0.17 per share.

In November 2014, the Company issued 25,000 shares of common stock to an individual in exchange for interest expense. The shares were valued at $5,000 or $.25 per share.

During the quarter ended March 31, 2015, the Company converted $92,800 of convertible debt into 3,345,537 shares of common stock at prices from $0.02 to $0.0901 per share.

During the quarter ended March 31, 2015, the Company issued 400,000 shares of the Company stock for $60,000 or $0.15 per share for consulting services.

During the first and second quarter of 2015, the Company issued 21,039,970 shares of the Company stock for $450,799 or approximately $0.02 per share to five investors.

During the year ended June 30, 2016, the Company issued 500,000 shares of the Company's common stock for settlement of an outstanding vendor balance amounting to USD $27,123.

The sales and issuances of the securities described above were made pursuant to the exemptions from registration contained in to Section 4(a)(2) of the Securities Act, Regulation D under the Securities Act and Regulation S under the Securities Act. Each purchaser represented that such purchaser's intention to acquire the shares for investment only and not with a view toward distribution. We requested our stock transfer agent to affix appropriate legends to the stock certificate issued to each purchaser and the transfer agent affixed the appropriate legends. Each purchaser was given adequate access to sufficient information about us to make an informed investment decision. Except as described in this prospectus, none of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved.

Item 6 . Selected Financial Data.

Not applicable because we are a smaller reporting company.

Item 7. 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 the audited and unaudited financial statements and the notes to those statements included elsewhere in this Report. This discussion contains forward-looking statements that involve risks and uncertainties. You should specifically consider the various risk factors identified in this Report that could cause actual results to differ materially from those anticipated in these forward-looking statements.

Financial Results

The following discussion of the results of operations constitutes management's review of the factors that affected the financial and operating performance for the fiscal years ended June 30, 2016 and 2015. This discussion should be read in conjunction with the financial statements and notes thereto contained elsewhere in this report. The Company has a June 30 fiscal year end.

During the year ended June 30, 2016, the transactions of the Company were denominated in US Dollars. All the transactions which were denominated in other currencies were converted to US$ on the date of settlement and the exchange gains and losses were recorded in the statement of operations. No change was recorded in the comprehensive income (loss). During the year ended June 30, 2015, the accounts of the Company were maintained, and its financial statements were expressed, in AUD. Such financial statements were translated into USD with the AUD as the functional currency. All assets and liabilities were translated at the exchange rate at the balance sheet date, stockholder's equity is translated at the historical rates and income statement items are translated at the average exchange rate for the period. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Any differences between the initially recorded amount and the settlement amount are recorded as a gain or loss on foreign currency transaction in the statements of operations. The resulting translation adjustments are reported under other comprehensive income as a component of shareholders' equity. There were no significant fluctuations in the exchange rate for the conversion of AUD to USD after the balance sheet date.

Executive summary

The fiscal year 2016 represented a strategic transition period for the Company. While the Company started in 2009 as an e-commerce only brand, it embarked upon a strategic brand building wholesale distribution program in 2013. In 2015 the Company made the decision to exit this distribution channel due to the increasing issues brands like Banjo & Matilda were facing in working with retailers via wholesale. The Company experienced lower margins, carried higher risks and viewed an uncertain future due to the increasing difficulties occurring in the physical retail landscape. In 2016 the Company began to focus fully on its higher value, higher margin, lower risk direct-to-consumer e-commerce centric business model. By initiating this change, we believe that the Company is now much better positioned to build a sustainable, and significantly more valuable business. However, in the short term this revised strategy necessitates a reduction of sales revenue from the wholesale channel. Commensurately, the Company's wholesale related overheads have been eliminated thereby substantially reducing total overheads. In the medium term, this sales decline should be reversed via growth from the direct to consumer e-commerce model. In 2017 the Company plans to grow and scale its new e-commerce centric business model. To do this the Company plans to raise capital to invest in marketing and customer acquisition, technology, people, product development and inventory.

Even though the Company incurred losses in wholesale during fiscal 2016, we considered this an investment in building a US e-commerce customer base. Although we have made the decision to forego unprofitable revenue in the short term in wholesale, the wholesale business we built was instrumental in positioning us as an e-commerce business & brand in the USA by exposing our brand to key retailers, customers and the press and to capitalize on the growth of digitally native, vertically integrated brands.

We believe that we have a growing brand awareness and a high value customer base, a pipeline of developed product, and 7 years of experience in product development, sourcing, e-commerce, and operations. We believe that we can efficiently deploy future capital injected to maximize e-commerce sales and build firm value.

In 2017 we expect to see further positive results of the migration to the new digital business model including significantly higher gross margins, lower overheads, increased sales and improved overall profitability.

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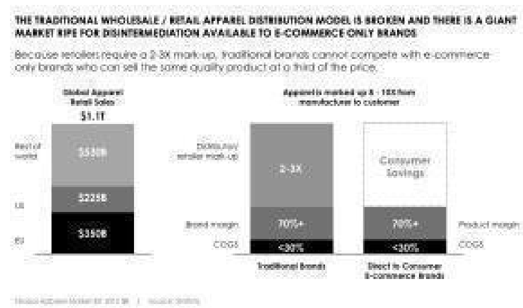
Banjo & Matilda. A new, more relevant modern luxury brand

Over the past few years the apparel industry has begun to be disrupted by newer, more relevant e-commerce enabled vertical brands who can provide a similar quality product to traditional brands but at lower prices.



As the Company experienced the impact of the deteriorating physical retail market and the emergence of successful digitally native brands, the Company saw the opportunity to fully capitalize on a gap in the market where there is demand for luxury quality products, but at more accessible prices, increase even further than first identified in 2009 when the brand was born. To enable the Company to take full advantage of this opportunity it exited its wholesale business to enable it to solely focus on its e-commerce business model.

By selling directly to the consumer via its e-commerce platform the Company eliminated the unnecessary wholesale/retailer mark-up thereby enabling the Company to sell their luxury quality products at a fraction of what traditional luxury brands do. This creates a compelling value proposition for consumers and therefore ultimately drives higher sales demand and potential than the traditional pricing model.

By focusing primarily on targeting the underserved "Gen X" power spending consumer as well as the digitally native millennial emerging consumer, the Company's customer unit economics including average order value, gross margins, and customer life time value are higher than fast fashion and non-premium brands. For an e-commerce business model these superior metrics are crucial in developing a profitable and valuable business model.

%
US INCOME
20%
OF POPULATION
I like to wear clothes that fit with my lifecycle and provide discrete luxury, not make a statement."
luxury price.
High brand loyalty, often staying with brands for life.
Resonate with brands which are authentic, sustainable, transparent, and unique.
Data sources: e-Marketer, American Express, MarketingZen

Other vital benefits of this model are that the Company can now instigate a much quicker product development and deployment cycle which generates higher sales. Releasing products weekly without restriction from the traditional "seasonal" sales model designed to meet the wholesale market needs where collections are only designed four times a year means that continuous fresh product drives continuous engagement and more opportunities to generate sales. The digital data rich customer relationship enables it to also better identify products which customers are more likely to purchase, and develop a deeper more customer centric relationship which the Company can act upon without restriction. The combination of creating a traditional luxury quality sensibilities, with a new digitally centric business model creates an unprecedented opportunity to create a highly valuable and sustainable brand and business.

2016 Financial Highlights

As a result of this shift to an e-commerce centric business, the Company decreased 2016 sales by 17% to $2,285,361 from $2,756,459 driven by the Company's exit from its wholesale operations. Commensurately, overheads which were primarily related to the wholesale business decreased by 44%. Further, we reduced spending on corporate overhead by 20% and interest expense by 12%. Inventory vs sales ratio was reduced, therefore reducing future working capital requirements by increasing inventory turnover.

E-commerce

Online sales decreased 8% as a result of discounting excess wholesale stock, reduced inventory of key lines and a decrease in overall marketing resources and spend.

Retail "Guide Store"

Store "Guide Store" sales decreased 13% as a result of reduced available inventory. We maintain our store in Paddington Australia because of the higher margin retail sales and we continue to use the resources to manage Australian customer support for online sales, and where possible local shipping & returns to/from Australian based customers, which comprises a meaningful portion of overall revenue. We also use this store as a customer touch point and to test customer feedback to new products which is a useful input into our design team. We may open more "Guide Store" in the future once we are appropriately capitalized.

Wholesale

Wholesale sales decreased 22% as a result of exiting the wholesale business as described above.

Gross Margins

During the 2016 fiscal year, gross margins decreased 2% from 35% to 33%. as we cleared aged inventory and closed our wholesale accounts and orders. With the withdrawal from the wholesale business channel, we have seen margins improve significantly. In addition, we have implemented other opportunities to improve margins:

- In January 2016, we adjusted our Australian RRP price points to be 25% higher in nominal terms to our USD RRP's which should increase future gross margins.

- Planned expansion of product lines with naturally higher gross margins will increase overall average margins when these are released.

Expenses

During the 2016 fiscal year, total operating expenses decreased 40% from $2,636,568 to $1,576,872 which includes one-time expenses, finance costs, public company, depreciation and amortization: The key reasons for this decrease was:

- Reduction in selling & marketing expenses; and

- Reduction in finance and corporate expenses.

Extraordinary Items

During the three months to June 2016, as part of the Company's exit from its wholesale operations, we wrote down a net value of $198,769 of Accounts Receivables.

EBITDA & Net Income

Removing the impact of extraordinary expense adjusted Net Income was $917,208 and EBITDA was $615,288.

Liquidity and Capital Resources

As of June 30, 2016, we had a cash balance of $11,056 and a working capital deficit of $2,241,374. Our net loss of $1,115,977 in the year ended June 30, 2016 was mostly funded by proceeds raised from debt financings. We will need to raise working capital of between $2 million to $3 million (or refinance existing short-term debt to long-term debt) to fund operations. The Company has entered into an equity line funding agreement with Spider Investments, LLC to sell up to $1,500,000 of our common stock, subject to certain terms and conditions some of which are out of our control, including the (i) filing and obtaining effectiveness of a registration statement registering the issuance of our shares of common stock under the Act to be issued pursuant to the equity line and (ii) certain volume and other trading conditions of our common stock. We plan to file the registration statement within 30 days from the date hereof and to obtain effectiveness thereof as soon as practicable. Future equity financings may be dilutive to our stockholders. Alternative forms of future financings may include preferences or rights superior to our common stock. Debt financings may involve a pledge of assets and will rank senior to our common stock. We have historically financed our operations through best-efforts private equity and debt financings. We do not have any credit or equity facilities available with financial institutions, stockholders or third party investors, and will continue to rely on best efforts financings. The failure to raise sufficient capital could cause us to cease operations.

During the twelve months ended June 30, 2016, our operating activities provided $230,245 of net cash compared to using $1,193,455 of net cash flow in our operating activities for the year ended June 30, 2015. This difference primarily resulted from our larger investment in inventory, including deposits for purchases in 2015, as well as an increase in trade payables during 2016.

During the twelve months ended June 30, 2016, net cash used in financing activities was $579,523 consisted primarily of net trade financing compared with $1,526,356 of net cash provided by financing activities in the fiscal year ended June 30, 2015 comprised primarily of net equity and net debt proceeds.

Commitments for Capital Expenditures

We do not have substantial commitments for capital expenditures. All of our products are manufactured by third parties, enabling us to scale up operations without acquiring substantial production equipment. Although we will need to increase our design capabilities and augment our sales and administrative staff as we grow, the rate of growth of these expenses should be less than the rate of growth of our revenue. Further, we anticipate that as we expand our sales, the interest rates, fees and other expenses we pay to obtain credit, should be lower than those we incur presently. Of course, any substantial growth in our revenues will require additional equity which, if available, will dilute the interests of our current shareholders. We do anticipate a slight increase in the rate of growth of our operating expenses this year due to, among other factors, the fact that our historical financial statements do not include the expenses associated with being a public company.

Off Balance Sheet Items

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

Critical Accounting Policies

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period covered by the financial statements. Actual results could differ from estimates. Significant estimates include collectability of accounts receivable, valuation of inventory, sales return and recoverability of long-term assets.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is probable. Revenue generally is recognized net of allowances for returns and any taxes collected from customers to be remitted to governmental authorities.

Cost of Sales

Cost of sales consists primarily of inventory costs, as well as warehousing costs (including the cost of warehouse labor), shipping, importation duties and charges, third party royalties, and product samples.

Inventory

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. Management compares the cost of inventories with the market value and allowance is made to write down inventories to market value, if lower.

Allowance for Doubtful Accounts

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves.

Exchange Gain (Loss)

During the year ended June 30, 2016, the transactions of the Company were denominated in US Dollars. Some transactions were denominated in AUD and British pounds for the sales made outside US and for rent paid for the Australian store. Such transactions were converted to US$ on the date of transaction and the exchange gains or losses were recorded in the statement of operations. During the year ended June 30, 2015, the transactions of the Company were denominated in foreign currency and were recorded in Australian dollar (AUD) at the rates of exchange in effect when the transactions occurred. Exchange gains and losses are recognized for the different foreign exchange rates applied when the foreign currency assets and liabilities are settled.

Foreign Currency Translation and Comprehensive Income (Loss)

During the year ended June 30, 2016, the transactions of the Company were denominated in US Dollars. All the transactions which were denominated in other currencies were converted to US$ on the date of settlement and the exchange gains and losses were recorded in the statement of operations. No change was recorded in the comprehensive income (loss). During the year ended June 30, 2015, the accounts of the Company were maintained, and its financial statements were expressed, in AUD. Such financial statements were translated into USD with the AUD as the functional currency. All assets and liabilities were translated at the exchange rate at the balance sheet date, stockholder's equity is translated at the historical rates and income statement items are translated at the average exchange rate for the period. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Any differences between the initially recorded amount and the settlement amount are recorded as a gain or loss on foreign currency transaction in the statements of operations. The resulting translation adjustments are reported under other comprehensive income as a component of shareholders' equity. There were no significant fluctuations in the exchange rate for the conversion of AUD to USD after the balance sheet date.

Recently Issued Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (ASU 2014-15). The guidance in ASU 2014-15 sets forth management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity’s ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management’s plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early application is permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In November 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes” (ASU 2015-17), which changes how deferred taxes are classified on the balance sheet and is effective for financial statements issued for annual periods beginning after December 15, 2016, with early adoption permitted. ASU 2015-17 requires all deferred tax assets and liabilities to be classified as non-current. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities” (ASU 2016-01), which requires equity investments that are not accounted for under the equity method of accounting to be measured at fair value with changes recognized in net income and updates certain presentation and disclosure requirements. ASU 2016-01 is effective beginning after December 15, 2017. The adoption of this guidance is not expected to have a material impact on the Company’s results of operations, financial position or disclosures.

In February 2016, the FASB issued ASU No. 2016-02, “Leases,” which requires lessees to recognize right-of-use assets and lease liabilities, for all leases, with the exception of short-term leases, at the commencement date of each lease. This ASU requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. This ASU is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods. Early adoption is permitted. The amendments of this update should be applied using a modified retrospective approach, which requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented. The adoption of this guidance is not expected to have a material impact on the Company’s results of operations, financial position or disclosures.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting.” The guidance simplifies accounting for share-based payments, most notably by requiring all excess tax benefits and tax deficiencies to be recorded as income tax benefits or expense in the income statement and by allowing entities to recognize forfeitures of awards when they occur. This new guidance is effective for annual reporting periods beginning after December 15, 2016 and may be adopted prospectively or retroactively. The Company is currently evaluating the impact the adoption of this standard would have on its financial condition, results of operations and cash flows.

In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which amends the guidance in the new revenue standard on collectability, noncash consideration, presentation of sales tax, and transition. The amendments are intended to address implementation issues and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. The new guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, which will be our interim period beginning January 1, 2018. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods with that reporting period. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, regarding ASC Topic 230 *"Statement of Cash Flows."* This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted. The Company does not expect the adoption of this standard to have a significant effect on its consolidated financial statements.

There were no other new accounting pronouncements during the year ended June 30, 2016 that we believe would have a material impact on our financial position or results of operations.

Item 7A . Quantitative and Qualitative Disclosures About Market Risk.

Not applicable because we are a smaller reporting company.

Item 8 . Financial Statements and Supplementary Data.

The financial statements start on page F-1.

Item 9 . Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Dismissal of Lichter, Yu & Associates, Inc. as Principal Accountant

On August 10, 2015, we advised Lichter, Yu & Associates, Inc. ("LY"), engaged on January 14, 2014, that it had been dismissed as our independent registered public accounting firm. The dismissal of LY was approved by our Board of Directors.

LY audited our consolidated financial statements as at and for the years ended June 30, 2014 and 2013, and their report thereon did not contain an adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles.

Engagement of Farber Hass Hurley LLP as Principal Accountant

On August 10, 2015, we engaged Farber Hass Hurley LLP ("FHH") as our registered independent public accountants for the fiscal year ended June 30, 2015. The decision to engage FHH was approved by our Board of Directors.

In connection with this change of registered independent public accountants, there were no disagreements between the Registrant and our former accountants, Lichter Yu & Associates LLP, of the type described in Item 304 (a)(1)(iv) of Regulation S-K and the related instructions, or any reportable event as described in Item 304(a)(1)(v) of Regulation S-K.

Item 9A . Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management is responsible for maintaining disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Registrant files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In addition, the disclosure controls and procedures must ensure that such information is accumulated and communicated to the Registrant's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required financial and other required disclosures.

At June 30, 2016, an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) of the Exchange Act) was carried out under the supervision and with the participation of Brendan Macpherson our Chief Executive Officer and Chief Financial Officer. Based on his evaluation of our disclosure controls and procedures, he concluded that at June 30, 2016, our disclosure controls and procedures are not effective due to material weaknesses in our internal controls over financial reporting discussed directly below.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions; (ii) provide reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; (iii) provide reasonable assurance that receipts and expenditures of company assets are made in accordance with management authorization; and (iv) provide reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, 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 because changes in conditions may occur or the degree of compliance with the policies or procedures may deteriorate.

Our management has conducted an evaluation, under the supervision and with the participation of Brendan Macpherson our Chief Executive Officer and Chief Financial Officer of the effectiveness of our internal control over financial reporting as of June 30, 2016. This evaluation was based on criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO, Internal Control-Integrated Framework. Based upon such assessment, Brendan Macpherson concluded that our internal controls over financial reporting are not effective due to material weaknesses in our internal controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Our material weaknesses relate to the following:

- Lack of a full-time Chief Financial Officer. We do not have a dedicated full-time Chief Financial Officer in charge of our financial reporting. Financial reporting is performed by our Chief Executive Officer and Chief Financial Officer, Brendan Macpherson. Mr. Macpherson does not possess accounting expertise.

- Lack of formal review process. We do not possess a formal, multi-level process with respect to our financial reporting.

- Ineffective oversight. We do not have an audit committee comprised of independent directors to oversee our financial reporting and internal control over financial reporting.

These weaknesses are due to the Company's historical lack of working capital to hire a full-time, dedicated Chief Financial Officer. The Company plans to hire a full-time Chief Financial Officer by June 30, 2017. Further, the Company intends to appoint additional Directors and form an audit committee comprised of independent directors.

This Report shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, and is not incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. The rules of the Securities and Exchange Commission do not require an attestation of the Management's report by our registered public accounting firm in this annual report.

Changes in Internal Controls

There have been no changes in our internal control over financial reporting that occurred during the fourth quarter of our fiscal year ended June 30, 2016 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

Item 9B . Other Information

None.

PART III

Item 10 . Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The Board is comprised of Brendan Macpherson and Belynda Storelli Macpherson, the co-founders of Banjo & Matilda. In addition to serving on the Board of Directors, Brendan Macpherson has been elected as Chief Executive Officer, and Secretary of the Registrant and Belynda Storelli Macpherson has been elected Chief Creative Officer of the Registrant.

The following sets forth information about our directors and executive officers:

Name	Age	Position
Brendan Macpherson	45	Chief Executive Officer, Chief Financial Officer, Secretary and Director
Belynda Storelli Macpherson	41	Chief Creative Officer and Director

Brendan Macpherson is a co-founder of Banjo & Matilda. Mr. Macpherson has served as chief executive officer of Banjo & Matilda since January 2013 and he was the executive director from May 2009 to October 2009. From April 2009 until June 2013, he was the chief marketing officer for Pie Face Pty Ltd. which operates bakery and café stores in Australia. From June 2002 until January 2009, he was chief executive officer of Brightstars Education, the largest educator of children's performing arts in Australia. He also served on the board of directors and chief executive officer of Artist & Entertainment Group Limited, an ASX (Australia) listed company. Mr. Macpherson has a history of successful startups, growth and exits of businesses in media, technology, education and retail.

Belynda Storelli Macpherson is a co-founder of Banjo & Matilda. Ms. Macpherson has been the creative director of Banjo & Matilda since May 2009 and she began Banjo & Matilda in May 2008. Prior to founding Banjo & Matilda, Ms. Macpherson had an extensive career in publicity, fashion publishing and marketing. Prior company's where Belynda worked include Grazia, Harper's Bazaar and Maddison fashion magazines, major film studios including Warner Brothers, Universal Studios and Columbia Tri-Star Pictures; and, the Australian tourism industry marketing body Tourism Australia. Belynda also founded her own publicity firm "Global Artist" which she successfully sold to a larger group in 2002.

There are no family relationships among our directors or executive officers, except that Mr. Macpherson is the husband of Ms. Macpherson.

Each of our Directors is elected annually and serves until his/her successor is duly elected and qualified or until his/her earlier death, resignation or removal. Our officers are elected annually and serve at the discretion of our Board of Directors.

Director Independence

We are not currently a "listed company" under SEC rules and are therefore not required to have a Board comprised of a majority of independent directors or separate committees comprised of independent directors. We currently do not have any independent directors as the term "independent" is defined by the rules of the Nasdaq Stock Market.

Board Committees

Audit Committee

We do not have a separately-designated audit committee of the board. Audit committee functions are performed by our board of directors. None of our directors are deemed independent. All directors also hold positions as our officers. Our audit committee is responsible for: (1) selection and oversight of our independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by our employees of concerns regarding accounting and auditing matters; (4) engaging outside advisors; and, (5) funding for the outside auditory and any outside advisors engagement by the audit committee.

Our board of directors has determined that we do not have an audit committee financial expert serving on our board.

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Disclosure Committee

We have a disclosure committee and disclosure committee charter. Our disclosure committee is comprised of all of our directors. The purpose of the committee is to provide assistance to the Chief Executive Officer and the Chief Financial Officer in fulfilling their responsibilities regarding the identification and disclosure of material information about us and the accuracy, completeness and timeliness of our financial reports.

Nominees

There have been no material changes to the procedures by which security holders may recommend nominees to the Registrant's board.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and beneficial owners of more than 10% of our common stock to file with the SEC reports of their holdings of, and transactions in, our common stock. Based solely upon our review of copies of such reports and written representations from reporting persons that were provided to us, we believe that our officers, directors and 10% stockholders complied with these reporting requirements with respect to our fiscal year ended June 30, 2016.

Code of Ethics

The Registrant has adopted a corporate code of ethics. The Registrant believes its code of ethics is reasonably designed to deter wrongdoing and promote honest and ethical conduct; provide full, fair, accurate, timely and understandable disclosure in public reports; comply with applicable laws; ensure prompt internal reporting of code violations; and provide accountability for adherence to the code.

Item 11 . Executive Compensation.

The following summary compensation table sets forth information concerning the compensation paid by the Company for the fiscal years ended June 30, 2016 and June 30, 2015 to those persons who were, at June 30, 2016, (i) the chief executive officer, (ii) the chief financial officer, (iii) all executive officers and (ii) the other most highly compensated executive officers of Banjo & Matilda, whose total compensation was in excess of $100,000 (the "named executive officers"):

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total
Brendan Macpherson	2016	$ 156,237	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 156,237
Chief Executive Officer	2015	$ 147,393	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 147,393
Belynda Storelli Macpherson, Chief	2016	$ 115,731	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 115,731
Creative Officer	2015	$ 109,180	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 109,180

Compensation of Directors

The Registrant did not pay and cash or other compensation to its directors for the years ended June 30, 2016 and June 30, 2015.

Outstanding Equity Awards at Fiscal Year End

For the year ended June 30, 2016, no director or executive officer has received compensation from the Registrant pursuant to any compensatory or benefit plan. There is no plan or understanding, express or implied, to pay any compensation to any director or executive officer pursuant to any compensatory or benefit plan, although we anticipate that we will compensate our officers and directors for services to us with stock or options to purchase stock, in lieu of cash.

Executive Compensation Policies as They Relate to Risk Management

The Compensation Committee and Management have considered whether our compensation policies might encourage inappropriate risk taking by the Company's executive officers and other employees. The Compensation Committee has determined that the current compensation structure aligns the interests of the executive officers with those of the Company without providing rewards for excessive risk taking by awarding a mix of fixed and performance based or discretionary bonuses with the performance based compensation focused on profits as opposed to revenue growth.

Option Exercises and Fiscal Year-End Option Value Table

None of the named executive officers exercised any stock options during the year ended June 30, 2016, or held any outstanding stock options as of June 30, 2016.

Incentive Plan

The Registrant does not have any equity compensation plans.

Employment Agreements

Brendan Macpherson Employment Agreement

Under his employment agreement, Mr. Macpherson is engaged as our chief executive officer with a current base salary of $160,787. His base salary will be increased by at least six percent each January 1 during the term of the employment agreement. The agreement provided that Mr. Macpherson received a signing bonus of 1,000,000 shares of preferred stock. During the term of his employment agreement, the preferred stock issued to Mr. Macpherson has super voting rights of 100 votes for every share of preferred stock he owns. Upon the expiration or termination of his employment agreement, all of the preferred shares issued to Mr. Macpherson will automatically be cancelled and returned to authorized but unissued preferred stock.

Mr. Macpherson is entitled to receive health and life insurance pursuant to his employment agreement.

In the event that Mr. Macpherson and the Registrant determine not to pay Mr. Macpherson's base salary in cash, his unpaid salary will accrue interest at the rate of 12% per annum (which interest shall be paid in cash). Mr. Macpherson has the option to convert his unpaid salary into shares of the Registrant's common stock. The conversion price will equal 50% of the Registrant's average closing bid price for the thirty-day period prior to the Registrant's receipt of a conversion notice from Mr. Macpherson.

Mr. Macpherson may terminate his employment agreement upon thirty days' written notice (or such shorter period if agreed to by the Registrant). The Registrant may terminate the employment agreement with Mr. Macpherson with or without cause upon 180 days’ prior notice. Upon any termination of the employment agreement by the Registrant, Mr. Macpherson is entitled to receive as severance fifty percent (50%) of the total salary compensation he would have been entitled to receive for the reminder of the term of the employment agreement.

Upon any termination (with or without cause) or expiration of the employment agreement, the Registrant must provide Mr. Macpherson, at the Registrant's expense, life, disability and family health insurance for a period of thirty-six months. In the event of Mr. Macpherson's death during the term of his employment agreement, the Registrant will pay to Mr. Macpherson's designee the greater of (x) $225,000 and (y) fifty percent (50%) of the total salary compensation he would have been entitled to receive for the reminder of the term of the employment agreement. In addition, the Registrant must also continue to pay for medical and health insurance for Mr. Macpherson's family for three years (which payments are in addition to the payments for family health insurance described in the preceding paragraph).

Upon any termination or expiration of the employment agreement, if Mr. Macpherson will receive severance payments of at least $150,000, he will be subject to non-compete and non-solicitation restrictions for a period of six months after such expiration or termination. The non-compete will apply to any area within five miles of any location where the Registrant designs, manufactures or sells premium contemporary knitwear.

Belynda Storelli Macpherson Employment Agreement

Under her employment agreement Ms. Macpherson is engaged as our chief creative officer with a base salary of $119,102. Her base salary will be increased by at least six percent each January 1 during the term of the employment agreement.

Ms. Macpherson receives health and life insurance pursuant to her employment agreement. In the event that Ms. Macpherson and the Registrant determine not to pay Ms. Macpherson's base salary in cash, her unpaid salary will accrue interest at the rate of 12% per annum (which interest shall be paid in cash). Ms. Macpherson has the option to convert her unpaid salary into shares of the Registrant's common stock. The conversion price will equal 50% of the Registrant's average closing bid price for the thirty-day period prior to the Registrant's receipt of a conversion notice from Ms. Macpherson.

Ms. Macpherson may terminate her employment agreement upon thirty days' written notice (or such shorter period if agreed to by the Registrant). The Registrant may terminate the employment agreement with Ms. Macpherson with or without cause upon 180 days' prior notice. Upon any termination of the employment agreement by the Registrant, Ms. Macpherson is entitled to receive as severance fifty percent (50%) of the total salary compensation she would have been entitled to receive for the reminder of the term of the employment agreement.

Upon any termination (with or without cause) or expiration of the employment agreement, the Registrant must provide Ms. Macpherson, at the Registrant's expense, life, disability and family health insurance for a period of thirty-six months.

Upon any termination (with or without cause) or expiration of the employment agreement, the Registrant must provide Ms. Macpherson, at the Registrant's expense, life, disability and family health insurance for a period of thirty-six months.

In the event of Ms. Macpherson's death during the term of her employment agreement, the Registrant will pay to Ms. Macpherson's designee the greater of (x) $200,000 and (y) fifty percent (50%) of the total salary compensation she would have been entitled to receive for the reminder of the term of the employment agreement. In addition, the Registrant must also continue to pay for medical and health insurance for Ms. Macpherson's family for three years (which payments are in addition to the payments for insurance described in the preceding paragraph).

Upon any termination or expiration of the employment agreement, if Ms. Macpherson will receive severance payments of at least $100,000, she will be subject to a non-compete and non-solicitation restrictions for a period of six months after such expiration or termination. The non-compete will apply to any area within five (5) miles of any location where the Registrant designs, manufactures or sells premium contemporary knitwear.

Item 12 . Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Security Ownership

The following table sets forth information about the beneficial ownership of our common stock as of December 31, 2016 by:

- each person known to us to be the beneficial owner of more than 5% of our common stock
- each named executive officer
- each of our directors; and
- all of our executive officers and directors as a group

Unless otherwise noted below, the address of each beneficial owner listed on the table is c/o Banjo & Matilda, Inc., 1221 2nd St, Santa Monica, CA, 90401 USA, Australia. We have determined beneficial ownership in accordance with the rules of the SEC. Except as indicated by the footnotes below, we believe, based on the information furnished to us, that the persons and entities named in the tables below have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws, where applicable.

As of December 31, 2016, there was a total of 60,223,116 shares of common stock outstanding.

Name and Address	Shares Owned	Percent of Class
Brendan Macpherson Belinda Storelli Macpherson (Jibon Trust)	18,551,916(1),(2)	31.8%
Raymond Key 396 Ladies Mile Lane Lake Hayes, Queenstown New Zealand 9304	19,095,639(3)	32.7%
All directors & officers as a group (2 persons)	18,551,916(1)(2)	31.8%

(1) Shares are held by Jibon Trust of which Brendan Macpherson is the trustee. Does not include 1,000,000 shares of super-voting preferred stock issued to Mr. Macpherson under his employment agreement.

(2) Consists of shares held by Jibon Trust of which Brendan Macpherson, Ms. Macpherson's husband, is the trustee.

(3) Gives no effect to shares issuable upon conversion of convertible note owned by Mr. Kay.

Item 13 . Certain Relationships and Related Transactions, and Director Independence

In July 2013, Banjo & Matilda entered into a loan facility agreement with Harboursafe Holdings, an affiliate of our chief executive officer. As of June 30, 2016, the principal amount owed under the loan facility was $183,269, bearing interest at the rate of 3% per annum (an aggregate of $29,653 of accrued interest as of June 30, 2016), which loan has matured and is currently due on demand. To secure the loan, Banjo & Matilda granted Harboursafe Holdings a security interest in the intellectual property acquired by Banjo & Matilda under the intellectual property sale agreement pursuant to which Banjo & Matilda acquired numerous clothing designs from Harboursafe Holdings.

In November 2013, Raymond Key made an unsecured loan to Banjo & Matilda. The loan matured in December 2013, and in January 2014, the Company issued Raymond Key a one-year secured convertible note in the principal amount of $250,000 (the "Convertible Note") in consideration of the rollover of the November 13, 2013 note and an additional loan of $150,000. As of June 30, 2016, the Company owed Mr. Key a principal amount of $387,329, and the Convertible Note bears interest at the rate of 9% per annum (an aggregate of $50,709 of accrued interest was also owed as of June 30, 2016). All or any portion of the principal amount of the Convertible Note and all accrued interest is convertible at the option of the holder into common stock of the Company at a conversion price of $.05 per share. The Company's obligation under the Convertible Note is secured by a first lien on substantially all of its assets, including its inventory, receivables, trademarks and trade names.

Director Independence

We are not currently a "listed company" under SEC rules and are therefore not required to have a Board comprised of a majority of independent directors or separate committees comprised of independent directors. We currently do not have any independent directors as the term "independent" is defined by the rules of the Nasdaq Stock Market.

Item 14 . Principal Accounting Fees and Services.

The following is a summary of the fees billed to us by Farber Hass Hurley LLP for professional services rendered for the fiscal years ended June 30, 2016 and 2015:

	Fiscal Year Ended	
	June 30, 2016	June 30, 2015
Audit Fees	$ 32,000	$ 22,000
Audit Related Fees	-	
Tax Fees	-	-
All Other Fees	-	
	$ 32,000	$ 22,000

Audit Fees . Consists of fees billed for professional services rendered for the audit of our consolidated financial statements and review of interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements.

Audit Related Fees . Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under "Audit Fees".

Tax Fees . Consists of fees billed for professional services for tax compliance, tax advice and tax planning. These services include preparation of federal and state income tax returns.

All Other Fees . Consists of fees for product and services other than the services reported above.

Board of Directors' Pre-Approval Policies

Our Board of Directors' policy is to pre-approve all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit related services, tax services, and other services. Pre-approval is generally provided for up to one year, and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent auditors and management are required to periodically report to the Board of Directors regarding the extent of services provided by the independent auditors in accordance with this pre-approval and the fees for the services performed to date. The Board of Directors may also pre-approve particular services on a case-by-case basis.

Our Board of Directors has reviewed and discussed with Farber Hass Hurley LLP, our audited consolidated financial statements contained in this Annual Report on Form 10-K for the fiscal years ended June 30, 2016 and 2015. The Board of Directors also has discussed with Farber Hass Hurley LLP the matters required to be discussed pursuant to SAS No. 61 (Codification of Statements on Auditing Standards, AU Section 380), which includes, among other items, matters related to the conduct of the audit of our consolidated financial statements.

Our Board of Directors has received and reviewed the written disclosures and the letter from Farber Hass Hurley LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and has discussed with Farber Hass Hurley LLP its independence from our company.

Based on the review and discussions referred to above, the Board of Directors determined that the audited consolidated financial statements be included in our Annual Report on Form 10-K for our fiscal year ended June 30, 2016 for filing with the SEC.

PART IV

Item 15 . Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this report:

(1) Financial Statements

The audited consolidated balance sheet of the Company and its subsidiaries as of June 30, 2015 and June 30, 2014, the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended, the footnotes thereto, and the report of Farber Hass Hurley, LLP, independent auditors, are filed herewith.

(2) Financial Statement Schedules: None

(3) Exhibits:

Exhibit Number	Description
3.1	Banjo & Matilda Pty Ltd Certificate of Registration (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on November 18, 2013).
3.2	Articles of Merger (incorporated by reference to Exhibit 3.2 to Current Report on Form 8-K filed on November 18, 2013).
3.3	Banjo &Matilda (USA) Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed on November 18, 2013).
3.4	Bylaws (incorporated by reference to Exhibit 3.2 of the registration statement on Form S-1 filed on January 25, 2010).
4.1	Stock Certificate Specimen (incorporated by reference to Exhibit 4.1 of the registration statement on Form S-1 filed on January 25, 2010).
10.1	Share Exchange Agreement dated as of November 14, 2013 by and among the Registrant, Banjo & Matilda Pty Ltd and the shareholders of Banjo & Matilda Pty Ltd (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on November 18, 2013).
10.2	76 William Street Lease (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on November 18, 2013).
10.3	Intellectual Property Sale Agreement, dated February 26, 2013, by and between Harboursafe Holdings and Banjo & Matilda Pty Ltd (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed on November 18, 2013).
10.4	Loan Facility Agreement made as of July 1, 2013 by and between Harboursafe Holdings and Banjo & Matilda Pty Ltd (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed on November 18, 2013).
10.5	Loan Facility Agreement, dated November 3, 2013, by and between Raymond Key and Banjo & Matilda Pty Ltd (incorporated by reference to Exhibit 10.5 to Current Report on Form 8-K filed on November 18, 2013).

10.6	Employment Agreement, dated November 15, 2013, by and between the Registrant and Brendan Macpherson (incorporated by reference to Exhibit 10.6 to Current Report on Form 8-K filed on November 18, 2013).
10.7	Employment Agreement, dated November 15, 2013, by and between the Registrant and Belynda Storelli Macpherson (incorporated by reference to Exhibit 10.7 to Current Report on Form 8-K filed on November 18, 2013).
10.8	Convertible Note between the Registrant and Raymond Key (incorporated by reference to Exhibit 10.8 to Current Report on Form 8-K filed on February 28, 2014).
10.9	Form of Securities Purchase Agreement dated May 16, 2014 between the Registrant and KBM Worldwide Inc. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on July 2, 2014).
10.10	Form of Convertible Note dated May 16, 2014 in the principal amount of $75,800 by the Registrant for the benefit of KBM Worldwide Inc. (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on July 2, 2014).
10.11	Form of Securities Purchase Agreement dated July 3, 2014 between the Registrant and KBM Worldwide Inc. (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed on July15, 2014).
10.12	Form of Convertible Note dated July 3, 2014 in the principal amount of $72,800 by the Registrant for the benefit of KBM Worldwide Inc. (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed on July 15, 2014).
10.13	Trade Facility with Sallyport Commercial Finance dated August 14, 2014 (to be filed by Amendment)
14.1	Code of Ethics (incorporated by reference to Exhibit 14.1 to the Form 10-K filed on February 15, 2011).
14.2	Disclosure Committee Charter (incorporated by reference to Exhibit 99.3 to the Form 10-K filed on February 15, 2011).
14.3	Audit Committee Charter (incorporated by reference to Exhibit 99.2 to the Form 10-K filed on February 15, 2011).
21.1	Subsidiaries (incorporated by reference to Exhibit 21.1 to Current Report on Form 8-K filed on November 18, 2013).
31.1 (1)	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1 (1)	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. SEC. 1350 (Section 906 of Sarbanes-Oxley Act of 2002)
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

(1) Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BANJO & MATILDA, INC .

Dated: March 3, 2017

By: */s/ Brendan Macpherson*
Brendan Macpherson
President, Chief Executive Officer
(principal executive officer)
and Chief Financial Officer
(principal financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities on March 3, 2017.

Signature	Title
/s/ Brendan Macpherson Brendan Macpherson	President, Chief Executive Officer, a Director (Principal Executive Officer) and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Belynda Storelli Macpherson Belynda Storelli Macpherson	Chief Creative Officer and a Director

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

BANJO & MATILDA, INC. AND SUBSIDIARIES

Consolidated Financial Statements for the Years Ended June 30, 2016 and 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Banjo & Matilda, Inc. and Subsidiaries

We have audited the accompanying balance sheets of Banjo & Matilda, Inc. as of June 30, 2016 and 2015, and the related statements of income, comprehensive income, stockholders' deficit, and cash flows for each of the years in the two-year period ended June 30, 2016. Banjo & Matilda, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banjo & Matilda, Inc. as of June 30, 2016 and 2015, and the results of its operations and its cash flows for each of the years in the two-year period ended June 30, 2016, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that Banjo & Matilda, Inc. will continue as a going concern. As discussed in Note 9 to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 9. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/S/ Farber Hass Hurley LLP

Chatsworth, CA
March 3, 2017

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BANJO & MATILDA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2016	June 30, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 11,056	$ 362,668
Trade receivables, net	2,870	180,289
Inventory, net	102,427	174,792
Deposit on purchases	1,153	357,804
Other assets	-	5,550
TOTAL CURRENT ASSETS	117,506	1,081,103
NON-CURRENT ASSETS		
Intangible assets, net	38,269	45,011
Deferred financing costs, net	31,407	47,107
Other receivable	-	66,952
Property, plant and equipment, net	11,976	12,139
TOTAL NON-CURRENT ASSETS	81,652	171,208
TOTAL ASSETS	$ 199,157	$ 1,252,311
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Trade and other payables	$ 1,008,772	$ 633,394
Deposit payable	4,621	1,159
Trade financing	249,720	779,653
Accrued interest	236,398	69,824
Loans payable	306,092	229,288
Loan from related parties	183,269	217,855
Convertible loan from related parties (net of related discount)	370,008	-
TOTAL CURRENT LIABILITIES	2,358,880	1,931,172
NON-CURRENT LIABILITIES		
Loans payable (net of related discount) (net of current portion)	325,137	563,357
TOTAL LIABILITIES	2,684,017	2,494,529
STOCKHOLDERS' DEFICIT		
Preferred stock, $0.00001 par value, 100,000,000 shares authorized and 1,000,000 shares issued and outstanding, respectively	10	10
Common stock, $0.00001 par value, 100,000,000 shares authorized and 58,823,116 and 58,323,116 shares issued and outstanding, respectively	588	583
Additional paid in capital	1,632,517	1,759,187
Other accumulated comprehensive gain	100,007	100,007
Accumulated deficit	(4,217,982)	(3,102,005)
TOTAL STOCKHOLDERS' DEFICIT	(2,484,860)	(1,242,219)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 199,157	$ 1,252,311

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

BANJO & MATILDA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Revenue	$ 2,285,361	$ 2,756,459
Cost of sales	1,531,784	1,796,433
Gross profit	753,577	960,026
Payroll and employee related expenses	820,973	850,879
Operating expense	148,901	267,537
Marketing expense	136,580	377,496
Samples & design expense	45,618	488,324
Occupancy expenses	78,089	73,085
Depreciation and amortization expense	9,239	7,166
Finance Charges	29,672	187,038
Corporate and public company expense	307,800	385,044
	1,576,872	2,636,568
Loss from operations	(823,295)	(1,676,543)
Other Income (Expense)		
Other income	28,637	-
Amortization of debt discount	(69,808)	(42,358)
Interest expense	(251,511)	(285,821)
Total Other Expense	(292,682)	(328,179)
Loss before income tax	(1,115,977)	(2,004,722)
Provision for income taxes	-	-
Net loss	$ (1,115,977)	$ (2,004,722)
Net loss per share		
Basic	$ (0.02)	$ (0.05)
Diluted	$ (0.02)	$ (0.05)
Weighted average number of shares outstanding:		
Basic	58,772,431	40,510,007
Diluted	58,772,431	40,510,007

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

BANJO & MATILDA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Net loss	$ (1,115,977)	$ (2,004,722)
Other comprehensive income		
Foreign currency translation	-	43,686
Total other comprehensive income	-	43,686
Comprehensive loss	$ (1,115,977)	$ (1,961,036)

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

BANJO & MATILDA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	Common Stock		Preferred Stock		Additional Paid in Capital	Comprehensive Income	Accumulated Deficit	Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance June 30, 2014	27,886,484	$ 279	1,000,000	$ 10	$ 836,273	$ 56,321	$ (1,097,283)	$ (204,400)
Adjustments to share issuances	(375,000)	(4)	-	-	(94,996)	-	-	(95,000)
Issuance of share capital at merger	5,833,332	58	-	-	(58)	-	-	-
Share issued	21,095,170	211	-	-	464,388	-	-	464,599
Debt Discount	-	-	-	-	380,280	-	-	380,280
Conversion of debt to equity	3,390,537	34	-	-	97,766	-	-	97,800
Shares Issued in exchange for services	492,593	5	-	-	75,533	-	-	75,538
Net (loss) income for the year ended June 30, 2015	-	-	-	-	-	43,686	(2,004,722)	(1,961,036)
Balance June 30, 2015	58,323,116	$ 583	1,000,000	$ 10	$ 1,759,187	$ 100,007	$ (3,102,005)	$ (1,242,218)
Conversion of debt to equity	500,000	5	-	-	27,118	-	-	27,123
Change in debt discount on modification of debt	-	-	-	-	41,467	-	-	41,467
Change in estimate of debt discount	-	-	-	-	(195,254)	-	-	(195,254)
Net (loss) income for the year ended June 30, 2016	-	-	-	-	-	-	(1,115,977)	(1,115,977)
Balance June 30, 2016	58,823,116	$ 588	1,000,000	$ 10	$ 1,632,517	$ 100,007	$ (4,217,982)	$ (2,484,860)

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

BANJO & MATILDA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Net loss	$ (1,115,977)	$ (2,004,722)
Adjustments to reconcile net loss to net cash		
provided by (used in) operating activities:		
Depreciation	2,497	522
Amortization	6,742	6,644
Effect of exchange rate changes on cash and cash equivalents	-	43,686
AR allowance	198,768	140,870
Inventory Reserve	-	17,258
Shares issued in exchange for services	-	75,538
Debt discount amortization	69,808	42,358
Amortization of deferred finance fee	15,700	-
(Increase) / decrease in assets:		
Trade receivables	(21,349)	12,015
Inventory	72,365	438,185
Deposit on Purchases	356,651	(357,804)
Other assets	5,550	2,662
Other receivable	66,952	61,276
Increase/ (decrease) in current liabilities:		
Trade payables and other liabilities	402,502	272,657
Accrued interest	166,574	56,789
Deposits payable	3,462	(1,388)
Net cash provided by (used in) operating activities	230,245	(1,193,455)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,334)	(3,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of stock	-	369,599
Net proceeds (net payments) on related party loan	(245,190)	94,773
Net proceeds from loan payables	195,600	597,074
Deferred Financing Costs	-	(47,107)
Net trade financing	(529,933)	512,016
Net cash provided by (used in) financing activities	(579,523)	1,526,356
Net increase (decrease) in cash and cash equivalents	(351,612)	329,301
Cash and cash equivalents at the beginning of the period	$ 362,668	$ 33,367
Cash and cash equivalents at the end of the period	$ 11,056	$ 362,668
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for:		
Income tax payments	$ -	$ -
Interest payments	$ 98,447	$ 156,303
SUPPLEMENTAL DISCLOSURES FOR NON CASH:		
FINANCING AND INVESTING ACTIVITIES		
Debt converted to equity	$ 27,123	$ 97,800

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

BANJO & MATILDA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – BASIS OF PRESENTATION AND ORGANIZATION

All currencies represented in the notes to the financial statements are in United States Dollars (USD) unless specified as AUD (Australian Dollars).

Banjo and Matilda, Inc. was incorporated in Nevada on December 18, 2009 under the name Eastern World Group, Inc. On September 24, 2013, its name was changed to Banjo & Matilda, Inc.

On November 14, 2013, Banjo & Matilda, Inc., entered into a Share Exchange Agreement (the "Exchange Agreement") with Banjo & Matilda, Pty Ltd., a corporation formed under the laws of Australia (the "Company") and the shareholders of the Company. Pursuant to the Exchange Agreement, at the closing of the transaction contemplated thereunder (the "Transaction"), the Company became a wholly-owned subsidiary of Banjo & Matilda, Inc.

Banjo & Matilda Pty Ltd. was incorporated under the laws of Australia on May 27, 2009 and manufactures and sells cashmere fashion. Headquartered at Bondi Beach, the Aussie lifestyle of sun, sand and surf resonates innately with this label and its philosophy of low maintenance, style and comfort.

Banjo & Matilda USA, Inc. was incorporated in the State of Delaware on October 14, 2013 and is owned 100% by Banjo & Matilda, Inc.

The ultra-soft cashmere staples, pairing simplicity with cool sophistication has rapidly gained loyal customers worldwide positioning the label as the 'go-to' for contemporary cashmere products.

Under accounting principles generally accepted in the United States, the share exchange is considered to be a capital transaction in substance, rather than a business combination. That is, the share exchange is equivalent to the issuance of stock by Banjo & Matilda Pty Ltd. for the net monetary assets of the Banjo & Matilda, Inc. accompanied by a recapitalization, and is accounted for as a change in capital structure. Accordingly, the accounting for the share exchange will be identical to that resulting from a reverse acquisition, except no goodwill will be recorded. Under share reverse takeover accounting, the post reverse acquisition comparative historical financial statements of the legal acquirer, Banjo & Matilda, Inc. are those of the legal acquiree, Banjo & Matilda Pty Ltd., which is considered to be the accounting acquirer. Share and per share amounts stated have been retroactively adjusted to reflect the merger.

As a result of the exchange agreement, the reorganization was treated as an acquisition by the accounting acquiree that is being accounted for as a recapitalization and as a reverse merger by the legal acquirer for accounting purposes. Pursuant to the recapitalization, all capital stock shares and amounts and per share data have been retroactively restated. Accordingly, the financial statements include the following:

(1) The balance sheet consists of the net assets of the accounting acquirer at historical cost and the net assets of the legal acquirer at fair value.

(2) The statements of operations include the operations of the accounting acquirer for the period presented and the operations of the legal acquirer from the date of the merger.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements were prepared in conformity with generally accepted accounting principles in the United States of America ("US GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of Banjo & Matilda, Inc. ("Banjo" or "the Company") and its wholly owned subsidiaries Banjo & Matilda Pty Ltd. and Banjo & Matilda USA, Inc., collectively referred to as the Company. All material intercompany accounts, transactions and profits were eliminated in consolidation.

Exchange Gain (Loss)

During the year ended June 30, 2016, the transactions of the Company were denominated in US Dollars. Some transactions were denominated in AUD and British pounds for the sales made outside US and for rent paid for the Australian store. Such transactions were converted to US$ on the date of transaction and the exchange gains or losses were recorded in the statement of operations. During the year ended June 30, 2015, the transactions of the Company were denominated in foreign currency and were recorded in Australian dollar (AUD) at the rates of exchange in effect when the transactions occurred. Exchange gains and losses are recognized for the different foreign exchange rates applied when the foreign currency assets and liabilities are settled.

Foreign Currency Translation and Comprehensive Income (Loss)

During the year ended June 30, 2016, the transactions of the Company were denominated in US Dollars. All the transactions which were denominated in other currencies were converted to US$ on the date of settlement and the exchange gains and losses were recorded in the statement of operations. No change was recorded in the comprehensive income (loss). During the year ended June 30, 2015, the accounts of the Company were maintained, and its financial statements were expressed, in AUD. Such financial statements were translated into USD with the AUD as the functional currency. All assets and liabilities were translated at the exchange rate at the balance sheet date, stockholder's equity is translated at the historical rates and income statement items are translated at the average exchange rate for the period. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Any differences between the initially recorded amount and the settlement amount are recorded as a gain or loss on foreign currency transaction in the statements of operations. The resulting translation adjustments are reported under other comprehensive income as a component of shareholders' equity. There were no significant fluctuations in the exchange rate for the conversion of AUD to USD after the balance sheet date.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make certain estimates and assumptions that affect the 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 collectability of accounts receivable, accounts payable, sales returns and recoverability of long-term assets.

Reportable Segment

The Company has one reportable segment. The Company's activities are interrelated and each activity is dependent upon and supportive of the other. Accordingly, all significant operating decisions are based on analysis of financial products provided as a single global business.

Revenue Recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is probable. Revenue generally is recognized net of allowances for returns and any taxes collected from customers and subsequently remitted to governmental authorities.

Cost of Sales

Cost of sales consists primarily of inventory costs, as well as warehousing costs (including the cost of warehouse labor), shipping, importation duties and charges, third party royalties, and product sampling.

Operating Overhead Expense

Operating overhead expense consists primarily of payroll and benefit related costs, rent, depreciation and amortization, professional services, and meetings and travel.

Income Taxes

The Company utilizes FASB Accounting Standards Codification (ASC) Topic 740, Income Taxes, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that were included in the financial statements or tax returns. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each period end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

The Company follows FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (codified in FASB ASC Topic 740). When tax returns are filed, it is likely that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest associated with unrecognized tax benefits is classified as interest expense and penalties are classified in selling, general and administrative expenses in the statements of income.

At June 30, 2016 and 2015, the Company had not taken any significant uncertain tax positions on its tax returns for period ended June 30, 2015 and prior years or in computing its tax provision for 2016. Management has considered its tax positions and believes that all of the positions taken by the Company in its Federal and State tax returns are more likely than not to be sustained upon examination. The Company is subject to examination by U.S. Federal and State tax authorities from the period ended June 30, 2012 to the present, generally for three years after they are filed.

The Company has been behind in filing its payroll tax returns and sales tax returns. The Company has recorded $6,318 as penalties for the late payment of taxes in the accompanying financials.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are cash, accounts receivable and other receivables arising from its normal business activities. The Company places its cash in what it believes to be credit-worthy financial institutions. The Company has a diversified customer base across many markets, predominantly Australia, United States of America, United Kingdom, Europe and the Middle East. The Company controls credit risk related to accounts receivable through credit approvals, credit limits and monitoring procedures. The Company routinely assesses the financial strength of its customers and, based upon factors surrounding the credit risk, establishes an allowance, if required, for uncollectible accounts and, as a consequence, believes that its accounts receivable credit risk exposure beyond such allowance is limited. In addition, Receivables that are factored through the Company's Receivable finance facility are guaranteed by the finance company that further mitigates Credit Risk.

Risks and Uncertainties

The Company is subject to risks from, among other things, competition associated with the industry in general, other risks associated with financing, liquidity requirements, rapidly changing customer requirements, limited operating history, foreign currency exchange rates and the volatility of public markets.

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 only be resolved when one or more future events occur or fail to occur. The Company's management and legal counsel assess such contingent liabilities, and such assessment inherently involves 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's 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.

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 that a potential 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 to be remote by management are generally not disclosed unless they involve guarantees, in which case the guarantee would be disclosed.

Cash and Equivalents

Cash and equivalents include cash in hand and cash in demand deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. At June 30, 2016 and 2015, the Company had $11,056 and $362,668 in cash in Australia and in the United States. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash in bank accounts.

Allowance for Doubtful Accounts

The Company maintains reserves for potential credit losses on accounts receivable. Management reviews the composition of accounts receivable and analyzes historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in customer payment patterns to evaluate the adequacy of these reserves. The allowances for doubtful accounts as of June 30, 2016 and June 30, 2015 are $147,870 and $140,870 respectively.

Inventory

Inventories are valued at the lower of cost (determined on a weighted average basis) or market. Management compares the cost of inventories with the market value and allowance is made to write down inventories to market value, if lower. As of June 30, 2016 and June 30, 2015, the Company had outstanding balances of Finished Goods Inventory of $102,427 and $174,792 respectively.

For the years ended June 30, 2016 and June 30, 2015, a reserve for Estimated Inventory Charges in the amount of $17,258 was established.

Property, Plant & Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. The estimated useful lives of our property and equipment are generally as follows: computer software developed or acquired for internal use, three to 10 years; computer equipment, two to three years; buildings and improvements, five to 15 years; leasehold improvements, two to 10 years; and furniture and equipment, one to five years.

As of June 30, 2016 and June 30, 2015, Plant and Equipment consisted of the following:

		June 30 2016		June 30 2015
Property, plant & equipment	$	31,378	$	29,044
Accumulated depreciation	$	(19,402)	$	(16,905)
	$	11,976	$	12,139

Depreciation was $2,497 and $522 for the years ended June 30, 2016 and 2015, respectively.

Fair Value of Financial Instruments

For certain of the Company's financial instruments, including cash and equivalents, restricted cash, accounts receivable, accounts payable, accrued liabilities and short-term debt, the carrying amounts approximate their fair values due to their short maturities. ASC Topic 820, "Fair Value Measurements and Disclosures," requires disclosure of the fair value of financial instruments held by the Company. ASC Topic 825, "Financial Instruments," defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The carrying amounts reported in the balance sheets for receivables and current liabilities each qualify as financial instruments and are a reasonable estimate of their fair values because of the short period of time between the origination of such instruments and their expected realization and their current market rate of interest. The three levels of valuation hierarchy are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Company analyzes all financial instruments with features of both liabilities and equity under ASC 480, "Distinguishing Liabilities from Equity," and ASC 815.

As of June 30, 2016 and 2015, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

Earnings Per Share (EPS)

Basic EPS is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted EPS is computed similar to basic net income per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if all the potential common shares, warrants and stock options had been issued and if the additional common shares were dilutive. Diluted EPS is based on the assumption that all dilutive convertible shares and stock options were converted or exercised. Dilution is computed by applying the treasury stock method for the outstanding options and the if-converted method for the outstanding convertible preferred shares. Under the treasury stock method, options and warrants are assumed to be exercised at the beginning of the period (or at the time of issuance, if later), and as if funds obtained thereby were used to purchase common stock at the average market price during the period. Under the if-converted method, convertible outstanding instruments are assumed to be converted into common stock at the beginning of the period (or at the time of issuance, if later).

The following table sets for the computation of basic and diluted earnings per share for years ended June 30, 2016 and 2015:

Basic and diluted	June 30 2016	June 30 2015
Net (loss) income	$ (1,115,977)	$ (2,004,722)
Weighted average number of shares in computing basic and diluted net (loss) income		
Basic	58,772,431	40,510,007
Diluted	58,772,431	40,510,007
Net (loss) income per share basic and diluted		
Basic	$ (0.02)	$ (0.05)

Intangible Assets

The Company records identifiable intangible assets at fair value on the date of acquisition and evaluates the useful life of each asset.

Finite-lived intangible assets primarily consist of software development capitalized. Finite-lived intangible assets are amortized on a straight-line basis and are tested for recoverability if events or changes in circumstances indicate that their carrying amounts may not be recoverable. These intangibles have useful lives ranging from 1 to 10 years. No events or changes in circumstances indicate that impairment existed as of June 30, 2016.

Recently Issued Accounting Pronouncements

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (ASU 2014-15). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter. Early application is permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In November 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes" (ASU 2015-17), which changes how deferred taxes are classified on the balance sheet and is effective for financial statements issued for annual periods beginning after December 15, 2016, with early adoption permitted. ASU 2015-17 requires all deferred tax assets and liabilities to be classified as non-current. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities" (ASU 2016-01), which requires equity investments that are not accounted for under the equity method of accounting to be measured at fair value with changes recognized in net income and updates certain presentation and disclosure requirements. ASU 2016-01 is effective beginning after December 15, 2017. The adoption of this guidance is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which requires lessees to recognize right-of-use assets and lease liabilities, for all leases, with the exception of short-term leases, at the commencement date of each lease. This ASU requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. This ASU is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods. Early adoption is permitted. The amendments of this update should be applied using a modified retrospective approach, which requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented. The adoption of this guidance is not expected to have a material impact on the Company's results of operations, financial position or disclosures.

In March 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting." The guidance simplifies accounting for share-based payments, most notably by requiring all excess tax benefits and tax deficiencies to be recorded as income tax benefits or expense in the income statement and by allowing entities to recognize forfeitures of awards when they occur. This new guidance is effective for annual reporting periods beginning after December 15, 2016 and may be adopted prospectively or retroactively. The Company is currently evaluating the impact the adoption of this standard would have on its financial condition, results of operations and cash flows.

In May 2016, the FASB issued ASU 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), which amends the guidance in the new revenue standard on collectability, noncash consideration, presentation of sales tax, and transition. The amendments are intended to address implementation issues and provide additional practical expedients to reduce the cost and complexity of applying the new revenue standard. The new guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, which will be our interim period beginning January 1, 2018. Early adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods with that reporting period. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, regarding ASC Topic 230 *"Statement of Cash Flows."* This update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The new guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Early adoption is permitted. The Company does not expect the adoption of this standard to have a significant effect on its consolidated financial statements.

There were no other new accounting pronouncements during the year ended June 30, 2016 that we believe would have a material impact on our financial position or results of operations.

Reclassification

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations or cash flow.

Note 3 – TRADE RECEIVABLES

Trade receivables consist principally of accounts receivable from sales to small to medium sized businesses, principally in Australia, Europe and the United States. Trade receivables are recorded at the invoiced amount and net of allowances for doubtful accounts. The allowance for doubtful accounts represents management's estimate of the amount of probable credit losses in existing accounts receivable, as determined from a review of past due balances and other specific account data. The assessment includes actually incurred historical data as well as current economic conditions. Account balances are written off against the allowance when management determines the receivable is uncollectible.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity or parent entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Trade receivables that are past their normal payment terms are overdue and once 60 days past due are considered delinquent. Minimum payment terms vary by product. The maximum payment term for all products is 90 days. All trade receivables that are overdue are individually assessed for impairment.

The allowances for doubtful accounts as of June 30, 2016 and June 30, 2015 are $147,870 and $140,870 respectively.

Note 4 – INTANGIBLE ASSETS

Intangible assets consist of the following as of June 30, 2016 and 2015:

	June 30 2016	June 30 2015
Website	$ 60,781	$ 60,781
Accumulated amortization	$ (22,512)	$ (15,770)
	$ 38,269	$ 45,011

The intangible assets are amortized over 1 to 10 years. Amortization expense was $6,742 and $6,644 for the years ended June 30, 2016 and 2015 respectively.

Note 5 – TRADE AND OTHER PAYABLES

As of June 30, 2016 and 2015, trade and other payable are comprised of the following:

	June 30 2016	June 30 2015
Trade payable	$ 593,009	$ 463,106
Officer compensation	$ 83,739	$ -
Payroll payable	$ 19,636	$ -
Payroll taxes	$ 168,498	$ 91,018
Employee benefits	$ 88,097	$ 82,671
Other liabilities	$ 55,793	$ (3,402)
	$ 1,008,772	$ 633,393

Note 6 – TRADE FINANCING

The Company has a trade financing agreement with a financial institution in Australia with a maximum limit of AUD $150,000 at an interest rate of 20.95% per annum. The Company reached a settlement with its obligation with the entity in the amount of AUD $165,523. The amount is to be paid through application of its EMDG grant and up to 25% of the Company's store sales in Australia. All of the amounts referenced are in Australian dollars. As of June 30, 2016 and 2015, the Company had outstanding balances of USD $72,936 and $112,436, respectively.

On August 14, 2014, the Company entered into a trade finance agreement with an entity in the United States with a total maximum facility of $1,500,000 based on $1,000,000 towards sales invoiced and $500,000 towards purchase order financing. As of June 30, 2016 and June 30, 2015, the Company had an outstanding balance of $176,783 and $646,078, respectively.

On November 20, 2014, the Company entered into a new retail trade finance agreement with an entity in Australia for AUD $75,000 with 100 equal payments of AUD $871.80 daily. As of June 30, 2016 and June 30, 2015, the Company had outstanding balances of USD $0 and USD $21,139 (AUD $27,500), respectively.

Note 7 –LOANS

In December 2013, the Company entered into a short-term loan arrangement in the amount of $100,000 with an individual. Terms of the note require interest payment of $5,000 on the repayment date, 30 days after the note date. If not repaid at that time, interest will accrue at the rate of $166 per day until the note is repaid. The outstanding balance as of June 30, 2016 and as of June 30, 2015 was $100,000 and $100,000 respectively. During the years ended June 30, 2016 and 2015, the Company recorded an interest of $60,590 and $57,000, respectively, on the note.

In May 2014, the Company entered into a convertible loan agreement in the amount of $72,800 with an investor. Interest is to accrue at the rate of 8% per annum. Loan and accrued interest is due in February 2015. The loan may be converted into common stock of the Company at any time by the election of the lender at a predetermined conversion price. During the quarter ended March 31, 2015, $72,800 was converted into 2,402,141 shares. The outstanding balance as of June 30, 2016 and as of June 30, 2015 was $0.

In July 2014, the Company entered into a second convertible loan agreement in the amount of $72,800 with an investor. Interest is to accrue at the rate of 8% per annum. Loan and accrued interest is due in April 2015. The loan may be converted into common stock of the Company at any time by the election of the lender at a predetermined conversion price. During the quarter ended March 31, 2015, $20,000 was converted into 943,396 shares. The remaining loan balance plus accrued interest was repaid during the quarter ended March 31, 2015.

In May 2014, the Company entered into a convertible loan agreement in the amount of $50,000 with an investor. The note bears interest at 6% per annum and is due and payable in November 2014. The loan may be converted into common stock at any time by the election of the lender after a period of six months at a predetermined conversion price. The outstanding balance as of June 30, 2016 and as of June 30, 2015 was $50,000 and $50,000 respectively.

In June 2014, the Company entered into a convertible loan agreement in the amount of $45,000 with an investor. The note bears interest at 6% per annum and is due and payable in December 2014. The loan may be converted into common stock at any time by the election of the lender after a period of six months at a predetermined conversion price. The outstanding balance as of June 30, 2016 and as of June 30, 2015 was $45,000 and $45,000 respectively.

In August 2014, the Company entered into a convertible loan agreement in the amount of $19,000 with an investor. The note bears interest at 6% per annum and is due and payable in February 2015. The loan may be converted into common stock at any time by the election of the lender after a period of six months at a predetermined conversion price. The outstanding balance as of June 30, 2016 and as of June 30, 2015 was $19,000 and $19,000 respectively.

In December 2014, the Company entered into a convertible loan agreement in the amount of $7,500 with an investor. The note bears interest at 6% per annum and is due and payable in May 2015. The loan may be converted into common stock at any time by the election of the lender after a period of six months at a predetermined conversion price. The outstanding balance as of June 30, 2016 and as of June 30, 2015 was $7,500 and $7,500 respectively.

In December 2014, the Company entered into a loan agreement in the amount of $10,000 AUD with an individual in Australia. The note was repaid in full in July 2015.

On October 27, 2015, the Company entered into a convertible loan agreement in the amount of $10,000 with a business firm in Texas. The note bears interest at 6% per annum and is due and payable in six months. The loan may be converted into common stock at any time by the election of the lender after a period of six months at a predetermined conversion price.

In June 2015, the Company entered into a secured promissory note in the amount of $500,000 with a Delaware statutory trust. The note bears interest at the rate of 18% per annum and is due or before July 1, 2017. The note has various covenants attached including one in which all credit card receipts are to be swept into an account which will fund payments on the note that are not in excess of the minimum quarterly payments required. As a condition of the note, an affiliate of the lender was granted a warrant to purchase 6,000,000 shares of the common stock of Banjo & Matilda, Inc. at a price of $.08 in whole or in part. The outstanding balance as of June 30, 2015 was $500,000.

On February 5, 2016, The Company signed an amendment to the secured promissory note extending the maturity date by one year to July 17, 2018. The amendment changed the terms of the credit card receipts used to fund payments required by the note. The amendment also cancelled the warrants to purchase 6,000,000 shares at a price of $0.08. New warrants were granted to purchase 6,000,000 shares at $0.05 per share and to purchase 2,000,000 shares at $0.02 per share. The Company determined the fair value of the warrants using the Black – Scholes model and recorded the additional value of $41,467 for the modified warrants. The variables used for the Black –Scholes model are as listed below:

- Volatility: 123%
- Risk free rate of return: 1.26%
- Expected term: 5 years

During the year ended June 30, 2016 and 2015, the Company recorded an amortization of the debt discount of $54,459 and $2,012, respectively.

Related Party Payable

The Company has liabilities payable in the amount of $183,269 and $217,855 to shareholders and officers of the Company as of June 30, 2016 and June 30, 2015, respectively. The note bears interest at the rate of 3% per annum and was due on or before June 30, 2014. The outstanding balance, including accrued interest, may be converted into common shares of Banjo & Matilda, Inc. at a pre-determined rate. The Company has granted the Lenders a security interest in its intellectual property.

Convertible loan from a related party

In November 2013, the company entered into a short-term loan arrangement totaling AUD $100,000 with a shareholder of the Company. Terms of the note were interest rate at 15% per annum or .0329% per day due 30 days from the loan date. The short-term note was converted into a 30-day callable convertible note in January 2014. The outstanding balance as of June 30, 2014 was $100,000 AUD. In March 2015, the outstanding balance and accrued interest was refinanced by an AUD 526,272 convertible note.

In January 2014, the Company entered into a convertible loan agreement totaling AUD $250,000 with a shareholder of the Company. The Convertible Note bears interest at the rate of 9% per annum and is due on the first anniversary of the date of issuance, January 12, 2015. All or any portion of the principal amount of the Convertible Note and all accrued interest is convertible at the option of the holder into common stock of the Company at a conversion price of thirty cents ($0.30) per share, provided that if the Volume Weighted Average Price (VWAP) for the 30 days immediately preceding the receipt of a conversion notice is less than Ninety cents ($.60) per share, the conversion price shall be reduced to twenty cents ($.20) per share. The outstanding balance as of June 30, 2014 was $250,000 AUD. In March 2015, the outstanding balance and accrued interest was refinanced by a $526,272 convertible note.

In June 2014, the Company entered into a loan agreement in the amount of AUD $100,000 with a shareholder of the Company. The note bears interest at 6% per annum and is due and payable in July 2014. The loan was repaid in the amount of AUD $80,000 in July 2014 and the balance of AUD $20,000 was extended to March 31, 2015. The outstanding balance as of June 30, 2014 was $100,000 AUD. In March 2015, the outstanding balance and accrued interest was refinanced by a $526,272 convertible note.

In March 2015, the Company entered into a convertible loan agreement totaling AUD 526,272 with the shareholder consolidating all previous amounts owed by the Company. The Convertible Note bears interest at the rate of 18% per annum and is due on or before April 30, 2017. The interest portion of the note shall be paid weekly starting in April 2015. Principle payments of $9,929 AUD weekly are to commence in April 2016. All or any portion of the principal amount of the Convertible Note and all accrued interest is convertible at the option of the holder into common stock of the Company at a conversion price of five cents ($0.05) per share, subject to various standard provisions. The outstanding balance as of June 30, 2016 and 2015 was USD $387,329 and $404,545, respectively. The Company determined the fair value of the convertible note of $80,909 using the intrinsic value method. The Company recorded an amortization of the debt discount of $15,350 during the year ended June 30, 2016. During the year ended June 30, 2016, the Company recorded an interest of $71,565 on the note.

Scheduled principal payments on loans are as follow;

Year ending June 30,	Loan 1	Loan 2	Loan 3	Loan 4	Misc	Total
2017	$ 100,000	$ 387,329	$ 174,863	$ 183,269	$ 131,500	$ 976,961
2018	$ -	$ -	$ 325,137	$ -	$ -	$ 325,137
	$ 100,000	$ 387,329	$ 500,000	$ 183,269	$ 131,500	$ 1,302,098

Note 8 – COMMITMENTS

The Company leases commercial space in Sydney, Australia that serves as its flagship as well as a retail store. We lease approximately 1,070 square feet of space pursuant to a three-year lease agreement which expired in October 2014. After expiration, the lease converted to a month-to-month basis. The annual rent for the premises is AUD $57,200.

The Company also leases space on an as needed basis in Santa Monica, California that serves as its corporate headquarters.

For the years ended June 30, 2016 and 2015 the aggregate rental expense was $78,089 and $73,085, respectively.

Note 9 – GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles, which contemplate the continuation of the Company as a going concern. The Company reported accumulated deficit of $4,217,982 as of June 30, 2016. The Company also incurred net losses of $1,115,977 and $2,004,722 for the years ended June 30, 2016 and 2015, respectively and had negative working capital for the years ended June 30, 2016 and 2015. To date, these losses and deficiencies have been financed principally through the loans from related parties and from third parties.

In view of the matters described, there is substantial doubt as to the Company's ability to continue as a going concern without a significant infusion of capital. We anticipate that we will have to raise additional capital to fund operations over the next 12 months. To the extent that we are required to raise additional funds to acquire properties, and to cover costs of operations, we intend to do so through additional offerings of debt or equity securities. There are no commitments or arrangements for other offerings in place, no guaranties that any such financings would be forthcoming, or as to the terms of any such financings. Any future financing will involve substantial dilution to existing investors.

Subsequent to the year ended June 30, 2016, the Company entered into an equity line funding agreement with Spider Investments, LLC to sell up to $1,500,000 of our common stock, subject to certain terms and conditions some of which are out of our control, including the (i) filing and obtaining effectiveness of a registration statement registering the issuance of our shares of common stock under the Act to be issued pursuant to the equity line and (ii) certain volume and other trading conditions of our common stock. The Company plans to file the registration statement and to obtain effectiveness thereof as soon as practicable.

Note 10 – INCOME TAXES

Based on the available information and other factors, management believes it is more likely than not that the net deferred tax assets at June 30, 2016 and 2015 will not be fully realizable. Accordingly, management has recorded a full valuation allowance against its net deferred tax assets at June 30, 2016 and 2015. At June 30, 2016 and 2015, the Company had federal net operating loss carry-forwards of approximately $3,664,000 and $2,555,000, respectively, expiring beginning in 2032.

Deferred tax assets consist of the following components:

	June 30, 2016	June 30, 2015
Net loss carryforward	$ 1,095,000	$ 767,000
Valuation allowance	(1,095,000)	(767,000)
Total deferred tax assets	$ -	$ -

Note 11 – STOCKHOLDERS' EQUITY

Preferred Stock

Pursuant to an Employment Agreement (the "Agreement") with the chief executive officer on November 15, 2013, the Company issued 1,000,000 undesignated shares of preferred stock each having a par value of $0.00001. The preferred shares shall be entitled to 100 votes to every one share of common stock. The preferred shares shall only valid during the term of this Agreement, as amended and extended. At the end of the Agreement, the shares shall be cancelled and returned to Treasury and the Executive shall have no preferential voting rights.

Common Stock

On July 24, 2014, the Company agreed to issue 55,200 shares of the Company stock for $13,800 or $0.25 per share to an individual investor.

On October 28, 2014, the Company agreed to issue 5,833,333 shares of the Company stock to the original shareholders of Banjo & Matilda Pty Ltd related to the merger and reorganization based on the original agreement.

On October 28, 2014, the Company agreed to issue 92,593 shares of common stock to an individual for compensation from Banjo Australia. The shares were valued at $15,339 or approximately $0.17 per share.

On November 3, 2014, the Company issued 25,000 shares of common stock to an individual in exchange for interest expense. The shares were valued at $5,000 or $.25 per share.

During the quarter ended March 31, 2015, the Company agreed to convert $92,800 of convertible debt for 3,345,537 shares of common stock at prices from $0.02 to $0.0901 per share to an investor.

During the quarter ended March 31, 2015, the Company agreed to issue 400,000 shares of the Company stock for $60,000 or $0.15 per share to a company for consulting services. The terms of the service agreement are from January 1, 2015 to June 1, 2015. As of June 30, 2015, the Company recognized consulting expense of $60,000.

During the first and second quarter of 2015, the Company agreed to issue 21,039,970 shares of the Company stock for $450,799 or approximately $0.02 per share to five investors.

During the fiscal year ended June 30, 2015, the Company voided 475,000 shares of the Company stock for the value of $95,000. The shares were originally considered converted from debt when they were in fact not converted. The debt is still outstanding.

During the year ended June 30, 2016, the Company issued 500,000 shares of the Company's common stock for settlement of an outstanding vendor balance amounting to USD $27,123.

Note 12 – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016, the Company paid $20,113 and $1,005 as compensation, respectively, to the sister and mother of the CEO. During the year ended June 30, 2016, the Company accrued interest of $29,653 on a loan owed to the CEO of the Company. See Note 7 for related party loans.

Note 13 – SUBSEQUENT EVENTS

On November 2, 2016, the Company entered into a merchant agreement with a capital funding group for a purchase price of $35,000 and purchased amount of $47,250. The Company is amortizing the excess of purchase amount over the purchase price, over the term of the financing of 21 months. Pursuant to the agreement, the Company cannot obtain future financing by selling receivables without consent from the lender. The Merchant holds a security interest in all accounts and proceeds. During the six-month period ended December 31, 2016, the Company amortized interest of $1,167.

On November 3, 2016, the Company entered into a payments rights purchase and sale agreement for $72,500. The financing has a purchase price of $50,000 with the purchased amount of $72,500. The Company is amortizing the excess of purchased amount over purchase price, over the term of the financing of six months. The Company has to make daily payments of $575.40 to the lender. During the six-month period ended December 31, 2016, the Company amortized $7,500 of the excess purchased amount, as interest expense, in the accompanying financials.

On November 29, 2016, the Company entered into a consignment agreement. It is a platform for funding advance inventory production. This facility allowed the Company to fund manufacturing with a consignment facility which pegs repayment to the sales of inventory.

Subsequent to the year ended June 30, 2016, the Company entered into convertible loan agreements in the amount of $41,000 with a lender with whom they have several other loans. The notes bear interest at 6% per annum and are due and payable in six months. The loans may be converted into common stock at any time by the election of the lender after a period of six months at a predetermined conversion price.

Subsequent to the year ended June 30, 2016, the Company has entered into an equity line funding agreement with Spider Investments, LLC to sell up to $1,500,000 of our common stock, subject to certain terms and conditions some of which are out of our control, including the (i) filing and obtaining effectiveness of a registration statement registering the issuance of our shares of common stock under the Act to be issued pursuant to the equity line and (ii) certain volume and other trading conditions of our common stock. We plan to file the registration statement within 30 days from the date hereof and to obtain effectiveness thereof as soon as practicable.

EXHIBIT 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Brendan Macpherson, certify that:

1. I have reviewed this annual report on Form 10-K of Banjo & Matilda, 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. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me 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 my 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 my 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.

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal 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.

Dated: March 3, 2017

By: */s/ Brendan Macpherson*
Brendan Macpherson
Chief Executive Officer (Principal Executive Officer) and
Chief Financial Officer (Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)**

In connection with the Annual Report of Banjo & Matilda, Inc., a Nevada corporation (the "Company"), on Form 10-K for the year ended June 30, 2016, as filed with the Securities and Exchange Commission (the "Report"), Brendan Macpherson, Chief Executive Officer and Chief Accounting Officer of the Company, does hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. ss. 1350), that:

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

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

Date: March 3, 2017

By: */s/ Brendan Macpherson*
Brendan Macpherson
Chief Executive Officer (Principal Executive Officer) and
Chief Financial Officer (Principal Financial Officer)