

BANJO & MATILDA, INC.

FORM 10-Q (Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2016

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

(State or other jurisdiction
of incorporation or organization)

27-1519178

(I.R.S. employer
identification number)

1221 2nd Street #300
Santa Monica CA 90401

(Address of principal executive offices and zip code)

(855) 245-1613

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of February 15, 2017, the Registrant had outstanding 58,823,116 shares of common stock.

BANJO & MATILDA, INC.
FORM 10-Q

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains certain statements of a forward-looking nature. Such forward-looking statements, including but not limited to statements regarding projected growth, trends and strategies, future operating and financial results, financial expectations and current business indicators are based upon current information and expectations and are subject to change based on factors beyond the control of the Company. Forward-looking statements typically are identified by the use of terms such as “look,” “may,” “should,” “might,” “believe,” “plan,” “expect,” “anticipate,” “estimate” and similar words, although some forward-looking statements are expressed differently. The accuracy of such statements may be impacted by a number of risks and uncertainties that could cause actual results to differ materially from those projected or anticipated, including but not limited to those set forth herein and in our Annual Report on Form 10-K.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by the federal securities laws, we undertake no obligation to update forward-looking information. Nonetheless, the Company reserves the right to make such updates from time to time by press release, periodic report or other method of public disclosure without the need for specific reference to this Report. No such update shall be deemed to indicate that other statements not addressed by such update remain correct or create an obligation to provide any other updates.

PART I – FINANCIAL INFORMATION

Item 1. Financial statements

**BANJO & MATILDA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016
(UNAUDITED)**

INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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**BANJO & MATILDA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	December 31, 2016	June 30, 2016
	<u>(Unaudited)</u>	<u></u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 28,564	\$ 11,056
Trade receivables, net	-	2,870
Inventory, net	129,272	102,427
Deposit on purchases	-	1,153
Other assets	5,500	-
TOTAL CURRENT ASSETS	<u>163,336</u>	<u>117,506</u>
NON-CURRENT ASSETS		
Intangible assets, net	34,898	38,269
Deferred financing costs, net	24,709	31,407
Property, plant and equipment, net	10,023	11,976
TOTAL NON-CURRENT ASSETS	<u>69,629</u>	<u>81,652</u>
TOTAL ASSETS	<u>\$ 232,966</u>	<u>\$ 199,157</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES		
Trade and other payables	\$ 1,077,935	\$ 1,008,772
Deposit payable	4,621	4,621
Trade financing	196,119	249,720
Accrued interest	370,885	236,398
Loans payable	689,269	306,092
Loan from related parties	181,737	183,269
Convertible loan from related parties (net of related discount)	377,724	370,008
TOTAL CURRENT LIABILITIES	<u>2,898,290</u>	<u>2,358,880</u>
NON-CURRENT LIABILITIES		
Loans payable (net of related discount) (net of current portion)	171,903	325,137
TOTAL LIABILITIES	<u>3,070,193</u>	<u>2,684,017</u>
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 58,823,116 shares issued and outstanding, respectively	588	588
Additional paid in capital	1,632,517	1,632,517
Other accumulated comprehensive gain	100,007	100,007
Accumulated deficit	(4,570,349)	(4,217,982)
TOTAL STOCKHOLDERS' DEFICIT	<u>(2,837,226)</u>	<u>(2,484,860)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 232,966</u>	<u>\$ 199,157</u>

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

BANJO & MATILDA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME
FOR THE THREE AND SIX MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015
(UNAUDITED)

	<u>Three month periods ended</u>		<u>Six month periods ended</u>	
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Revenue	\$ 159,115	\$ 732,063	\$ 360,042	\$ 1,612,367
Cost of sales	46,417	517,152	143,747	1,088,959
Gross profit	<u>112,698</u>	<u>214,911</u>	<u>216,295</u>	<u>523,408</u>
Payroll and employee related expenses	123,879	131,688	246,362	393,653
Operating expense	20,818	42,725	40,922	105,445
Marketing expense	17,136	23,501	34,917	91,921
Samples & design expense	6,055	7,466	7,761	44,069
Occupancy expenses	11,461	23,350	26,058	36,715
Depreciation and amortization expense	2,662	2,291	5,324	4,556
Finance Charges	18,450	12,299	27,258	27,680
Corporate and public company expense	7,125	40,898	14,547	73,285
	<u>207,587</u>	<u>284,219</u>	<u>403,150</u>	<u>777,324</u>
Loss from operations	<u>(94,889)</u>	<u>(69,307)</u>	<u>(186,855)</u>	<u>(253,916)</u>
Other Income (Expense)				
Interest income			-	-
Other income	3,390	(9,846)	4,077	2,832
Amortization of debt discount	(16,393)	(18,093)	(32,785)	(36,187)
Interest expense	(68,966)	(52,120)	(136,804)	(115,453)
Total Other Expense	<u>(81,969)</u>	<u>(80,059)</u>	<u>(165,512)</u>	<u>(148,808)</u>
Loss before income tax	(176,858)	(149,367)	(352,367)	(402,724)
Provision for income taxes	-	-	-	-
Net loss	(176,858)	(149,367)	(352,367)	(402,724)
Other comprehensive income				
Foreign currency translation	-	-	-	-
Comprehensive loss	\$ (176,858)	\$ (149,367)	\$ (352,367)	\$ (402,724)
Net loss per share				
Basic	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Diluted	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding:				
Basic	<u>58,823,116</u>	<u>58,823,116</u>	<u>58,823,116</u>	<u>58,722,023</u>
Diluted	<u>58,823,116</u>	<u>58,823,116</u>	<u>58,823,116</u>	<u>58,722,023</u>

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

BANJO & MATILDA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED DECEMBER 31, 2016 AND 2015
(UNAUDITED)

	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Net loss	\$ (352,367)	\$ (402,724)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,953	1,185
Amortization	3,371	3,371
AR allowance	(8,772)	873
Debt discount amortization	32,785	36,187
Amortization of deferred finance fee	7,851	7,851
(Increase) / decrease in assets:		-
Trade receivables	11,642	16,808
Inventory	(26,845)	40,962
Deposit on Purchases	1,153	356,651
Other assets	(5,500)	(235,650)
Other receivable	-	66,952
Deferred financing costs	(1,153)	-
Increase/ (decrease) in current liabilities:		
Trade payables and other liabilities	69,162	5,202
Accrued interest	134,487	58,350
Net cash used in operating activities	<u>(132,233)</u>	<u>(43,983)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(2,334)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (net payments) on related party loan	(1,532)	268,971
Proceeds from loan payables	-	(340,886)
Net proceeds (net payments) on loan payables	204,875	-
Net trade financing	(53,601)	(130,151)
Net cash provided by (used in) financing activities	<u>149,742</u>	<u>(202,066)</u>
Net increase (decrease) in cash and cash equivalents	17,508	(248,383)
Cash and cash equivalents at the beginning of the period	\$ 11,056	\$ 362,668
Cash and cash equivalents at the end of the period	<u>\$ 28,564</u>	<u>\$ 114,285</u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for:		
Income tax payments	\$ -	\$ -
Interest payments	\$ 12,082	\$ 64,953
SUPPLEMENTAL DISCLOSURES FOR NON CASH: FINANCING AND INVESTING ACTIVITIES		
Debt converted to equity	\$ -	\$ 27,123

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

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

Note 1 – BASIS OF PRESENTATION AND ORGANIZATION

All currencies represented in the notes to the condensed consolidated 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.

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Exchange Gain (Loss)

During the six-month periods ended December 31, 2016 and 2015, 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.

Foreign Currency Translation and Comprehensive Income (Loss)

During the six-month period ended December 31, 2016 and 2015, 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).

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.

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At December 31, 2016 and 2015, the Company had not taken any significant uncertain tax positions on its tax returns for periods ended December 31, 2016 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, 2013 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 \$2,180 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 December 31, 2016 and June 30, 2016, the Company had \$28,564 and \$11,056 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 December 31, 2016 and June 30, 2016 are \$139,098 and \$147,870 respectively.

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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 December 31, 2016 and June 30, 2016, the Company had outstanding balances of Finished Goods Inventory in hand of \$69,530 and \$102,427 respectively. As of December 31, 2016 and June 30, 2016, the Company had outstanding balances of Inventory in transit of \$77,000 and \$0 respectively.

The inventory reserve balance as of December 31, 2016 and June 30, 2016, was approximately \$17,000 and \$17,000, respectively.

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 December 31, 2016 and June 30, 2016, Plant and Equipment consisted of the following:

	December 31	June 30
	2016	2016
Property, plant & equipment	\$ 31,378	\$ 31,378
Accumulated depreciation	\$ (21,355)	\$ (19,402)
	<u>\$ 10,023</u>	<u>\$ 11,976</u>

Depreciation was \$1,953 and \$1,185 for the three-month periods ended December 31, 2016 and 2015, respectively. Depreciation was \$976 and \$605 for the three-month periods ended December 31, 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 December 31, 2016 and June 30, 2016, the Company did not identify any assets and liabilities that are required to be presented on the balance sheet at fair value.

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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 three and six month periods ended December 31, 2016 and 2015:

	<u>Three month periods ended</u>		<u>Six month periods ended</u>	
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Basic and diluted				
Net loss	\$ (176,858)	\$ (149,367)	\$ (352,367)	\$ (402,724)
Net loss per share				
Basic	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding:				
Basic & diluted	<u>58,823,116</u>	<u>58,823,116</u>	<u>58,823,116</u>	<u>58,722,023</u>

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 December 31, 2016.

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 \$4,570,349 as of December 31, 2016. The Company also incurred net losses of \$352,367 and \$402,724 for the six-month periods ended December 31, 2016 and 2015, respectively and had negative working capital for the six-month periods ended December 31, 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 period ended December 31, 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.

Recently Issued Accounting Pronouncements

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.

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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 three-month period ended September 30, 2015 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 December 31, 2016 and June 30, 2016 are \$139,098 and \$147,870 respectively.

Note 4 – INTANGIBLE ASSETS

Intangible assets consist of the following as of December 31, 2016 and June 30, 2016:

	December 31	June 30
	2016	2016
Website	\$ 60,781	\$ 60,781
Accumulated amortization	\$ (25,883)	\$ (22,512)
	<u>\$ 34,898</u>	<u>\$ 38,269</u>

The intangible assets are amortized over 1 to 10 years. Amortization expense was \$3,371 and \$3,371 for the six-month periods ended December 31, 2016 and 2015 respectively. Amortization expense was \$1,685 and \$1,685 for the three-month periods ended December 31, 2016 and 2015 respectively.

Note 5 – TRADE AND OTHER PAYABLES

As of December 31, 2016 and June 30, 2016, trade and other payable are comprised of the following:

	December	June 30
	31	2016
	2016	2016
Trade payable	\$ 592,826	\$ 593,009
Officer compensation	\$ 94,986	\$ 83,739
Payroll payable	\$ 73,210	\$ 29,616
Payroll taxes	\$ 158,518	\$ 158,518
Employee benefits	\$ 91,201	\$ 88,097
Other liabilities	\$ 65,983	\$ 55,793
	<u>\$ 1,076,724</u>	<u>\$ 1,008,772</u>

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 December 31, 2016 and June 30, 2016, the Company had outstanding balances of USD \$65,923 and \$72,936, 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 December 31, 2016 and June 30, 2016, the Company had an outstanding balance of \$135,992 and \$176,783, respectively.

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.

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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. During the period ended December 31, 2016, the Company raised \$114,888 for a purchase price of \$133,341.51. The difference of \$15,508.71 is being amortized over the period of financing of seven months. During the three-month period ended December 31, 2016, the Company recorded an interest expense of \$2,216.

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 December 31, 2016 and as of June 30, 2016 was \$100,000 and \$100,000 respectively. During the six-month periods ended December 31, 2016 and 2015, the Company recorded an interest of \$30,212 and \$30,046, respectively, on the note. During the three-month periods ended December 31, 2016 and 2015, the Company recorded an interest of \$15,106 and \$14,940, respectively, on the note.

From May 2014 to December 2016, the Company entered into several convertible loan agreements with a lender aggregating in the amount of \$162,500. The notes bear interest at 6% per annum and are due and payable six months from the date of each note. The loans may be converted into common stock at any time by the election of the lender after a period of six months at 20% discount to the market price. However, the notes have a floor to the conversion price of \$0.05 per share for the old notes and a floor of \$0.03 per share for the new notes. As of December 31, 2016, the Company had no beneficial conversion feature to be recorded on the notes. The outstanding balance as of December 31, 2016 and as of June 30, 2016 was \$162,500 and \$131,500 respectively. The Company accrued interest of \$4,875 and \$3,945 during the three-month periods ended December 31, 2016 and 2015, respectively. The Company accrued interest of \$2,566 and \$2,122 during the three-month periods ended December 31, 2016 and 2015, respectively.

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 was 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 the Company at a price of \$.08 in whole or in part. The outstanding balance as of June 30, 2016 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

In connection with the issuance of the above notes, the Company recorded a note discount of \$115,274. The Company amortized \$25,068 and \$28,470, of the note discount during the six-month periods ended December 31, 2016 and 2015, respectively. The Company amortized \$12,534 and \$14,235, of the note discount during the three-month periods ended December 31, 2016 and 2015, respectively. The Company recorded an interest of \$45,000 and \$36,721, on the note during the six-month periods ended December 31, 2016 and 2015, respectively. The Company recorded an interest of \$22,500 and \$14,722, on the note during the three-month periods ended December 31, 2016 and 2015, respectively.

Related Party Payable

The Company has a convertible note agreement with a shareholder for \$526,272. 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. 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 December 31, 2016 and June 30, 2016, net of related discount, was USD \$377,724 and \$370,008, 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 \$7,717 and \$7,717, during the six-month period ended December 31, 2016 and 2015, respectively. The Company recorded an amortization of the debt discount of \$3,858 and \$3,858, during the three-month period ended December 31, 2016 and 2015, respectively. During the six-month periods ended December 31, 2016 and 2015, the Company recorded an interest of \$42,606 and \$34,227, respectively, on the note. During the three-month periods ended December 31, 2016 and 2015, the Company recorded an interest of \$21,303 and \$17,049, respectively, on the note.

The Company has liabilities payable in the amount of \$181,737 and \$183,269 to shareholders and officers of the Company as of December 31, 2016 and June 30, 2016, 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 the intellectual property of the Borrower.

Scheduled principal payments on loans are as follow;

Year ending December 31,	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Total
2017	\$ 100,000	\$ 162,500	\$ 340,619	\$ 387,328	\$ 181,737	\$ 1,172,184
2018	\$ -	\$ -	\$ 159,381	\$ -	\$ -	\$ 159,381
	\$ 100,000	\$ 162,500	\$ 500,000	\$ 387,328	\$ 181,737	\$ 1,331,565

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 2,500 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 six-month periods ended December 31, 2016 and 2015 the aggregate rental expense was \$26,058 and \$36,715, respectively. For the three-month periods ended December 31, 2016 and 2015 the aggregate rental expense was \$11,461 and \$23,350, respectively.

Note 9 – 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, December 31, 2016 and June 30, 2016 will not be fully realizable. Accordingly, management has recorded a full valuation allowance against its net deferred tax assets at, December 31, 2016 and June 30, 2016. At December 31, 2016 and June 30, 2016, the Company had federal net operating loss carry-forwards of approximately \$3,934,000 and \$3,664,000, respectively, expiring beginning in 2032.

Deferred tax assets consist of the following components:

	December 31, 2016	June 30, 2016
Net loss carryforward	\$ 1,176,000	\$ 1,095,000
Valuation allowance	\$ (1,176,000)	\$ (1,095,000)
Total deferred tax assets	\$ -	\$ -

Note 10 – STOCKHOLDERS' EQUITY

Common Stock

During the year ended June 30, 2015, the Company agreed to issue 55,200 shares of the Company stock for \$13,800 or \$0.25 per share to an individual investor.

During the year ended June 30, 2015, 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.

During the year ended June 30, 2015, 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.

During the year ended June 30, 2015, 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 year ended June 30, 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 a corporate investor.

During the year ended June 30, 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.

During the year ended June 30, 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 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 11 – RELATED PARTY TRANSACTIONS

During the six-month period ended December 31, 2016 and 2015, the Company paid \$0 and \$14,076 as compensation to the mother of the CEO. During the six-month period ended December 31, 2016 and 2015, the Company accrued interest of \$14,111 and \$14,149, respectively, on a loan owed to the CEO of the Company.

Note 12 – SUBSEQUENT EVENTS

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. The Company plans to file the registration statement within 30 days from the date hereof and to obtain effectiveness thereof as soon as practicable.

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

The following discussion and analysis of our Company's financial condition and results of operations should be read in conjunction with our unaudited financial statements and the related notes included elsewhere in this report and with the financial statements and notes thereto included in the Company's most recent Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements.

Results of Operations

The following discussion of the results of operations constitutes management's view of the factors that affected the financial and operating performance for the six months ended December 31, 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 six-month period ended December 31, 2016 and 2015, 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).

After a strategic review of the Company's operating performance and long term strategy in June 2015, management decided to exit from the Company's wholesale sales channel and business in favor of pursuing a higher value and longer term growth, direct to consumer digital vertical brand business model. In September 2015, the Company began to exit from its wholesale sales channel in-line with this strategy. As a digital vertical brand (DVB), the Company can generate higher gross margins by selling directly to consumers online by not having to accommodate the retailer wholesale mark-up. This additional gross margin from eliminating lower margin wholesale sales allows the Company to improve its overall operating margins and have greater flexibility and control over its retail pricing for its products, improving the customer value proposition and brand adoption. The Company can also build a more sustainable and higher growth revenue stream, and at the same time reduce operating overheads by eliminating fixed and variable expenses associated with operating a wholesale business model, among other significant benefits associated with a digitally centric business model. In addition, DVB's are generally considered superior in value to traditional wholesale focused brands. Typical recent private investment valuations of DVB's have been transacted at a valuation of 3-4 x annual sales versus less than 1 x annual sales for traditional brands (1). By pursuing a DVB strategy, the Company's sales will temporarily reduce during the remainder of 2016 and 2017 due to the elimination of low-margin wholesale sales. While there will be a short-term reduction in sales, the Company believes the superior DVB business model will generate and sustain greater value for shareholders moving forward.

Because of the business model improvements, EBITDA improved 9% from a loss of \$215,377 in the December 2016 quarter to a loss of \$195,766 in the December 2016 quarter, while Gross margin improved from 29% to 70%, underscoring the value of the new vertical digital business model showing a more than a 100% improvement in Gross Margin and an improvement in profitability on just 23% of total sales for the comparative period.

The Company recorded revenue of \$159,115 during the three-months ended December 31, 2016 compared to \$732,063 for the same period during the prior fiscal year, and \$360,042 during the six-months ended December 31, 2016 compared to \$1,612,367 for the same period during the prior fiscal year, primarily because of the reduction in wholesale sales.

By eliminating low-margin wholesale sales, Gross Margins increased to 71% in the December 2016 quarter from 29% for the same period during the prior fiscal year, and increased to 60% during the six-months ended December 31, 2016 from 32% for the same period during the prior fiscal year. Gross profit decreased to \$112,698 for the three months ended December 31, 2016 from \$214,911 in the same period in the prior year due to lower overall sales driven by the elimination of wholesale sales in-line with the Company's new business model. Gross profit decreased to \$216,295 for the six months ended December 31, 2016 from \$523,408 in the same period in the prior year due to lower overall sales driven by the elimination of wholesale sales in-line with the Company's new business model.

Due to changing the Company's business model and exiting the wholesale business, related wholesale expenses were eliminated. SG&A consisting of payroll, selling, marketing and design, e-commerce, retail overhead expenses, administrative (including public Company costs) and occupancy were \$189,137 for the for the three months ended December 31, 2016 compared to \$271,920 for the same period during the prior fiscal year, and \$375,892 for the six months ended December 31, 2016 compared to \$749,645 for the same period during the prior fiscal year

Net loss was \$325,367 for the six-month period ended December 31, 2016, compared with \$402,724 for the prior year period.

(1) Note: Based on data obtained from PitchBook and Crunchbase as well as Management discussions with other DVB's

LIQUIDITY AND CAPITAL RESOURCES

We had a working capital deficit of \$2,734,954 as of December 31, 2016. We will continue to borrow to acquire inventory and fund sales. The rates at which we can acquire funds will directly impact our ability to operate profitably and generate positive cash flow. In addition to relying upon debt, we will seek to raise equity to support our efforts to grow. There is no assurance that debt or equity financing will be available to us on acceptable terms, if at all, and, in all events, the sale of equity or instruments convertible into equity will dilute the interests of our current shareholders. 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.

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. The Company plans to file the registration statement within 30 days from the date hereof and to obtain effectiveness thereof as soon as practicable.

During the six months ended December 31, 2016, net cash of \$132,233 was used in our operating activities compared with \$43,983 of net cash used in our operating activities during the six months ended December 31, 2015. During the six months ended December 31, 2016, net cash provided by financing activities was \$149,742 compared with \$202,066 of net cash used in financing activities during the six months ended December 31, 2015.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable as the Company is a smaller reporting company.

Item 4. Controls and Procedures

a) Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

At the end of the period covered by this report we carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, Brendan Macpherson, of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation included an evaluation of our financial controls. Since our Chief Executive Officer also serves as our Chief Financial Officer and we do not have financial and accounting personnel thoroughly familiar with U.S. GAAP and U.S. securities laws and regulations, we have a deficiency in our financial controls. This deficiency in our financial controls and procedures constitutes a deficiency in our disclosure controls and procedures in that our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in our periodic reports is recorded, processed, summarized and reported, within the time periods specified for each report and that such information is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. This deficiency will not be considered remediated until we hire accounting personnel with the requisite knowledge and experience concerning U.S. GAAP and the U.S. securities laws.

b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

Our business is subject to numerous risks and uncertainties including but not limited to those discussed in “Risk Factors” in our Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed herewith:

Exhibit Number	Document
31.1	Certifications of the principal executive officer and principal 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	Certifications of the principal executive officer and principal financial officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the 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

SIGNATURES

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

BANJO & MATILDA, INC.

Date: March 3, 2017

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

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO
RULE 13A-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Brendan Macpherson, Chief Executive Officer and Chief Financial Officer of Banjo & Matilda, Inc. (the "Company"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;
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)) 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 us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal controls 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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
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.

Date: March 3, 2017

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

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

In connection with the Quarterly Report of Banjo & Matilda., a Nevada corporation (the “Company”), on Form 10-Q for the quarter ended December 31, 2016, as filed with the Securities and Exchange Commission (the “Report”), Brendan Macpherson, Chief Executive Officer and Chief Financial 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 and Chief Financial Officer
(principal executive and financial officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.