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 March 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 000-55122

SOURCE FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	80-0142655
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

Level 6 / 97 Pacific Highway
North Sydney NSW 2060
Australia
(Address of principal executive offices and zip code)

+61 2 8907-2500
(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	☐	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 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 May 12, 2016, the Registrant had outstanding 8,791,632 shares of common stock, par value $0.001 per share.

SOURCE FINANCIAL, 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 for the fiscal year ended June 30, 2015 filed on September 17, 2015.

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

SOURCE FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016
(UNAUDITED)

SOURCE FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

	March 31, 2016 (Unaudited)	June 30, 2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 7,866,380	$ 8,075,078
Trade receivables, net	25,747,607	19,651,268
Terminal financing receivables, current, net	143,398	111,364
Inventories	68,865	157,144
Deferred tax asset	229,710	230,400
Other current assets	1,129,101	779,851
TOTAL CURRENT ASSETS	35,185,061	29,005,105
NON-CURRENT ASSETS		
Intangible assets, net	2,762,607	2,914,253
Deferred tax asset	784,627	885,383
Property, plant and equipment, net	251,486	326,899
Terminal financing receivables, non-current, net	105,331	172,068
Investment in equity affiliates	57,987	681
Goodwill	57,897	58,071
TOTAL NON-CURRENT ASSETS	4,019,935	4,357,355
TOTAL ASSETS	$ 39,204,996	$ 33,362,460
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade and other payables	$ 3,122,889	$ 3,114,185
Wholesale loan facility	11,769,992	6,052,789
Cash reserve	1,924,083	1,257,984
TOTAL CURRENT LIABILITIES	16,816,964	10,424,958
NON-CURRENT LIABILITIES		
Subordinated notes, net	18,530,839	18,471,471
Shareholder's loan	38,277	38,392
TOTAL NON-CURRENT LIABILITIES	18,569,116	18,509,863
TOTAL LIABILITIES	35,386,080	28,934,821
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value, 10,000 shares authorized, designated as Series B Preferred stock, 5,000 issued and outstanding at March 31, 2016 and June 30, 2015	50	50
Common Stock, $0.001 par value, 12,000,000 shares authorized, 8,791,632 and 7,671,632 issued and outstanding at March 31, 2016 and June 30, 2015, respectively	8,792	7,672
Additional paid-in capital	15,846,664	15,170,976
Other accumulated comprehensive loss	(2,161,153)	(2,115,049)
Accumulated deficit	(9,875,437)	(8,636,010)
TOTAL STOCKHOLDERS' EQUITY	3,818,916	4,427,639
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 39,204,996	$ 33,362,460

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

SOURCE FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three months ended		Nine months ended	
	March 31, 2016	**March 31, 2015**	**March 31, 2016**	**March 31, 2015**
Revenue	$ 1,190,093	$ 1,145,224	$ 3,743,294	$ 3,424,264
Cost of revenue	949,901	814,451	2,722,413	2,306,423
Gross profit	240,192	330,773	1,020,881	1,117,841
Operating Expenses				
Compensation expenses	292,968	396,799	1,446,597	1,013,585
Research and development expense	225,983	192,028	616,302	523,418
Bad debt expenses	20,944	7,762	93,678	71,432
Bad debts recovered	-	854	-	(144,357)
Professional expenses	92,461	(6,159)	197,846	220,097
Occupancy expenses	52,109	52,870	179,260	168,353
Depreciation expense	7,610	13,148	23,345	47,469
General and administration expenses	71,641	153,519	215,354	364,418
Total operating expenses	763,716	810,821	2,772,382	2,264,415
Loss from operations	(523,524)	(480,048)	(1,751,501)	(1,146,574)
Other Income (Expense)				
Research and development grant	147,926	143,188	397,430	424,011
Interest income	45,182	20,321	127,892	74,229
Gain on equity method investment	11,830	12,380	54,082	12,380
Other income (expense)	(5,918)	(5,693)	25,253	(10,064)
Total Other Income	199,020	170,196	604,657	500,556
Loss from operations before income taxes	(324,504)	(309,852)	(1,146,844)	(646,018)
Provision for income taxes	16,311	(13,702)	92,583	117,527
Net loss	(340,815)	(296,150)	(1,239,427)	(763,545)
Other comprehensive income / (loss)				
Foreign currency translation	198,277	(387,006)	(46,104)	(1,285,719)
Comprehensive loss	$ (142,538)	$ (683,156)	$ (1,285,531)	$ (2,049,264)
Net loss per share				
Basic and Diluted:	$ (0.039)	$ (0.039)	$ (0.146)	$ (0.100)
Weighted average number of shares used in computing basic and diluted net (loss) per share:				
Basic	8,791,632	7,671,632	8,502,468	7,671,632
Diluted	8,791,632	7,671,632	8,502,468	7,671,632

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

SOURCE FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED MARCH 31, 2016
(UNAUDITED)

	Common Stock		Preferred Stock		Additional Paid in	Comprehensive	Accumulated	Stockholders'
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Equity
Balance June 30, 2015	7,671,632	$ 7,672	5,000	$ 50	$ 15,170,976	$ (2,115,049)	$ (8,636,010)	$ 4,427,639
Issuance of stock options	-	-	-	-	228,808	-	-	228,808
Stock-based compensation	1,120,000	1,120	-	-	446,880	-	-	448,000
Net loss for the nine months ended March 31, 2016	-	-	-	-	-	(46,104)	(1,239,427)	(1,285,531)
Balance March 31, 2016	8,791,632	$ 8,792	5,000	$ 50	$ 15,846,664	$ (2,161,153)	$ (9,875,437)	$ 3,818,916

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

SOURCE FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	Nine months ended	
	March 31, 2016	**March 31, 2015**
Net loss	$ (1,239,427)	$ (763,545)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	484,647	559,091
Subordinated notes costs amortization	108,231	-
Stock options issued for compensation	228,807	113,607
Stock-based compensation	448,000	-
Gain on equity method investment	(54,082)	(12,380)
(Increase) decrease in assets:		
Trade receivables, net	(5,808,725)	1,840,830
Inventories	82,865	(260,495)
Deferred tax asset	92,582	117,590
Financing receivables	31,948	(205,752)
Other assets	(325,648)	114,892
(Decrease) increase in current liabilities:		
Trade payables	11,553	(3,447,850)
Net cash used in operating activities	(5,939,249)	(1,944,012)
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,081)	(46,719)
Development of intangible assets	(267,449)	(421,991)
Net cash used in investing activities	(279,530)	(468,710)
Cash flows from financing activities		
Wholesale loan facility, net	5,412,498	(2,200,295)
Capital Reserve	632,161	530,367
Net cash provided by (used in) financing activities	6,044,659	(1,669,928)
Effect of exchange rate changes on cash and cash equivalents	(34,578)	(1,587,348)
Net decrease in cash and cash equivalents	(208,698)	(5,669,998)
Cash and cash equivalents at beginning of period	8,075,078	10,730,743
Cash and cash equivalents at the end of the period	$ 7,866,380	$ 5,060,745
Supplemental disclosures		
Cash paid during the period for:		
Income tax payments	$ -	$ -
Interest payments	$ 1,672,713	$ 1,225,492
Supplemental schedule of non-cash financing activities:		
Issuance of stock-based compensation	$ 448,000	$ -
Issuance of stock options	$ 228,807	$ 113,607

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

SOURCE FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – BASIS OF PRESENTATION AND ORGANIZATION

The accompanying condensed consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States (“US GAAP”) and with the instructions to Form 10-Q.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to U.S. GAAP rules and regulations for presentation of interim financial information. Therefore, the unaudited condensed interim consolidated financial statements should be read in conjunction with the financial statements and the notes thereto, included in the Company’s Annual Report on the Form 10-K for the fiscal year ended June 30, 2015. Current and future financial statements may not be directly comparable to the Company’s historical financial statements. However, except as disclosed herein, there have been no material changes in the information disclosed in the notes to the financial statements for the year ended June 30, 2015 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the three months and nine months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending June 30, 2016.

When used in these notes, the terms "Company," "we," "our," or "us" mean Source Financial, Inc. and its subsidiaries.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Source Financial, Inc. (“Source”) and its wholly owned subsidiaries Moneytech Limited (“Moneytech”), Moneytech Finance Pty Ltd, mPayments Pty Ltd., Moneytech POS Pty Ltd., Moneytech Services Pty Ltd and Moneytech USA, collectively referred to as the Company. All material intercompany accounts, transactions and profits were eliminated in consolidation.

Equity Investments

The Company uses the equity method of accounting for investments when the percentage of ownership of the investment is between 20% and 50%. The Company includes the proportionate share of the profit or loss as part of the carrying value of the investment.

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.

Exchange (Loss) Gain

During the three and nine months ended March 31, 2016 and 2015, the transactions of Moneytech and its wholly owned subsidiaries 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 (Loss) Income

The accounts of Moneytech Limited and its wholly owned subsidiaries 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, stockholders’ 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 consolidated statements of operations. The resulting translation adjustments are reported under other comprehensive income as a component of shareholders’ equity.

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 business unit.

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 Revenue

Cost of revenue includes: programs licensed, operating costs including costs of funds and related product support service centers to drive traffic to our websites, costs incurred to support and maintain products and services, including inventory valuation adjustments, costs associated with the delivery of consulting services, and the amortization of capitalized intangible software costs. Capitalized intangible software costs are amortized over the estimated lives of the products.

Research and Development

Research and development expenses include payroll, employee benefits, and other headcount-related expenses associated with product development. Research and development expenses also include third-party development and programming costs, localization costs incurred to translate software for international markets, and the amortization of purchased software code and services content. Such costs related to software development are included in research and development expense until the point that technological feasibility is reached, which for our software products is generally shortly before the products are put into service. Once technological feasibility is reached, such costs are capitalized and amortized to cost of revenue over the estimated lives of the products. Certain research and development costs are eligible for reimbursement by the Australian government. Research and development expense is included as an operating expense and research and development grant income is reported as other income.

Income Taxes

The Company uses the asset and liability method to account for income taxes as prescribed by Accounting Standards Codification ("ASC") 740, Income Taxes. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates which will be in effect when these differences reverse. Deferred tax expense (benefit) is the result of changes in deferred tax assets and liabilities. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates in the period during which they are signed into law.

The Company may recognize the tax benefit from an uncertain tax position claimed on a tax return only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The authoritative standards issued by the Financial Accounting Standards Board ("FASB") also provide guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Under ASC 740, Income Taxes, a valuation allowance is required when it is more likely than not that all or some portion of the deferred tax assets will not be realized through generating sufficient future taxable income. Failure to achieve forecasted taxable income in applicable tax jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings.

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, most of which are in Australia. 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.

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

Loss contingencies, including litigation related contingencies, are included in the Consolidated Statements of Operations when the Company concludes that a loss is both probable and reasonably estimable. Legal fees related to litigation-related matters are expensed as incurred and included in the Consolidated Statements of Operations under the Selling, general and administrative line item. No amount for loss was recorded as of March 31, 2016 and 2015.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities less than or equal to three months at the date of purchase to be cash and cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value, and consist of bank deposits and certificates of deposit that are readily convertible into cash. The Company maintains its cash deposits and cash equivalents at well-known, stable financial institutions in Australia and not covered by insurance.

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.

Bad Debt Insurance

As a condition of the RPA (see Note 10) and Subordinated Notes (see Note 12), Moneytech maintains credit insurance on the receivables due Moneytech from its customers or their counterparties. Pursuant to this policy, Moneytech would bear the first $500,000 of aggregate losses incurred due to defaults in any calendar year, after which any bad debt losses are reimbursed by the insurance company. This policy is renewed annually. A receivable from the insurance company is recognized when the criteria set forth in the policy, inclusive of bad debt expenses in excess of $500,000 in any year, are met. The amount recorded as a receivable is offset against bad debt expense. As of March 31, 2016 and June 30, 2015 the Company had no insurance claim receivables.

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 March 31, 2016 and June 30, 2015, inventory only consisted of finished goods.

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	3 to 10 years
Computer hardware	5 to 15 years
Furniture and equipment	3 to 5 years

As of March 31, 2016 and June 30, 2015, Property, Plant & Equipment consisted of the following:

	March 31 2016	June 30 2015
Office equipment	$ 30,139	$ 30,230
Furniture and fixtures	193,241	193,822
Terminals	45,347	45,483
Computers and software	1,186,581	1,177,253
Accumulated Depreciation	(1,203,822)	(1,119,889)
	$ 251,486	$ 326,899

For the three and nine months ended March 31, 2016 and 2015, depreciation expense consisted of the following:

	Three months ended March 31		Nine months ended March 31	
	2016	2015	2016	2015
Depreciation, cost of revenue	$ 21,520	$ 24,221	$ 65,537	$ 79,684
Depreciation, operating	7,610	13,148	23,345	47,469
Total depreciation expense	$ 29,130	$ 37,369	$ 88,882	$ 127,153

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 consolidated 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 March 31, 2016 and June 30, 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 and equivalents by the weighted average number of common shares and equivalents 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 forth the computation of basic and diluted earnings per share for the three and nine months ended March 31, 2016 and 2015:

	Three months ended		Nine months ended	
	March 31 2016	March 31 2015	March 31 2016	March 31 2015
Net loss	$ (340,815)	$ (296,150)	$ (1,239,427)	$ (763,545)
Weighted average number of shares used in computing basic and diluted net loss per share:				
Basic	8,791,632	7,671,632	8,502,468	7,671,632
Dilutive effect of stock options	-	-	-	-
Diluted	8,791,632	7,671,632	8,502,468	7,671,632
Net loss per share				
Basic and diluted:	$ (0.039)	$ (0.039)	$ (0.146)	$ (0.100)

Options to purchase up to 762,112 shares and 158,231 shares of common stock were anti-dilutive during the three and nine months ended March 31, 2016 and 2015 respectively.

Goodwill

Goodwill, which represents the excess of purchase price over the fair value of net assets acquired, is carried at cost. Goodwill is tested for impairment on an annual basis during the fourth quarter of each fiscal year or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company first performs a qualitative assessment to determine if the quantitative impairment test is required. If changes in circumstances indicate an asset may be impaired, the Company performs the quantitative impairment test. In accordance with accounting standards, a two-step quantitative method is used for determining goodwill impairment. In the first step, we determine the fair value of our reporting unit. If the net book value of our reporting unit exceeds its fair value, we would then perform the second step of the impairment test which requires allocation of our reporting unit's fair value to all of its assets and liabilities using the acquisition method prescribed under authoritative guidance for business combinations. Any residual fair value is allocated to goodwill. An impairment charge is recognized only if the implied fair value of our reporting unit's goodwill is less than its carrying amount.

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 March 31, 2016.

Stock-Based Compensation

Stock-based compensation costs are recognized over the vesting period, using a straight-line method, based on the fair value of the instrument on the date of grant less an estimate for expected forfeitures. The Company uses the Black-Scholes valuation model to determine the fair value of stock options and the stock price on the grant date to value restricted stock. The Black-Scholes valuation model includes various assumptions, including the expected volatility, the expected life of the award, dividend yield, and the risk-free interest rate. These assumptions involve inherent uncertainties based on market conditions which are generally outside the Company's control. Changes in these assumptions could have a material impact on share-based compensation costs recognized in the financial statements.

Recently Issued Accounting Pronouncements

There have been no new accounting pronouncements during the three and nine months ended March 31, 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, NET

Trade receivables consist principally of accounts receivable and trade financing and other financial services to small to medium sized businesses and individuals, principally in Australia. Trade receivables are recorded at the invoiced amount and net of allowances for doubtful accounts. Trade receivables bear interest. 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 30 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 30 days past due are considered delinquent. Minimum payment terms vary by product. The maximum payment term for all products is 122 days. All trade receivables that are overdue are individually assessed for impairment.

Trade receivables are placed on non-accrual status when legal action commences. Payments received while on non-accrual status will be allocated to the oldest amount outstanding. Accrual of interest will not resume until all amounts owing have been settled.

As of March 31, 2016 and June 30, 2015, trade receivables consist of the following:

		March 31 2016		June 30 2015
Trade receivables	$	26,236,468	$	20,231,293
Allowance for bad debt		(488,861)		(580,025)
Total trade receivables, net	$	25,747,607	$	19,651,268

AGE ANALYSIS OF PAST DUE TRADE RECEIVABLES

		March 31 2016		June 30 2015
1 - 30 Days Past Due	$	2,209,340	$	665,728
31 - 60 Days Past Due		585,568		86,328
Greater than 60 Days Past Due		2,043,915		916,106
Total Past Due		4,838,823		1,668,162
Current		21,397,645		18,563,131
Total Trade Receivables	$	26,236,468	$	20,231,293
Recorded Investment > 60 Days and accruing	$	143,363	$	268,375

ALLOWANCE FOR DOUBTFUL DEBTS

		Nine months ended March 31 2016		Nine months ended March 31 2015
Allowance for doubtful debts				
Beginning balance	$	580,025		703,402
Charge-offs		(154,715)		(23,721)
Recoveries		-		-
Provision		70,322		66,046
Other comprehensive income (fx differences)		(6,771)		(137,998)
Ending balance	$	488,861	$	607,729
Ending balance - individually evaluated for impairment	$	449,565	$	583,417
Ending balance - collectively evaluated for impairment	$	39,296	$	24,312
Reconciliation to bad debts expense in the Statement of Operations				
Provision	$	70,322	$	66,046
Other bad debt expenses / credits not reflected in provision		23,356		5,386
Bad debts expense per Statement of Operations	$	93,678	$	71,432

Bad debt expenses not reflected in the provision include direct costs associated with pursuing an overdue receivable. If these costs are recovered they result in a credit.

TRADE RECEIVABLE BALANCES ASSESSED FOR IMPAIRMENT

		March 31 2016		June 30 2015
Ending balance	$	26,236,468	$	20,231,293
Ending balance - individually evaluated for impairment	$	1,540,456	$	639,279
Ending balance - collectively evaluated for impairment	$	24,696,012	$	19,592,014

TRADE RECEIVABLES ON A NON ACCRUAL BASIS

		March 31 2016		June 30 2015
Trade receivables	$	1,540,456	$	639,279
Total Financing Receivables	$	1,540,456	$	639,279

IMPAIRED LOANS

	March 31, 2016				
	Recorded Investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognised
With no allowance recorded					
Trade receivables	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -
With an allowance recorded					
Trade receivables	$ 1,540,456	$ 1,320,307	$ 449,565	$ 855,680	$ 17,627
	$ 1,540,456	$ 1,320,307	$ 449,565	$ 855,680	$ 17,627
Total					
Trade receivables	$ 1,540,456	$ 1,320,307	$ 449,565	$ 855,680	$ 17,627
	$ 1,540,456	$ 1,320,307	$ 449,565	$ 855,680	$ 17,627

IMPAIRED LOANS

	June 30, 2015				
	Recorded Investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognised
With no allowance recorded					
Trade receivables	$ -	$ -	$ -	$ -	$ -
	$ -	$ -	$ -	$ -	$ -
With an allowance recorded					
Trade receivables	$ 639,279	$ 441,661	$ 552,180	$ 756,900	$ 8,478
	$ 639,279	$ 441,661	$ 552,180	$ 756,900	$ 8,478
Total					
Trade receivables	$ 639,279	$ 441,661	$ 552,180	$ 756,900	$ 8,478
	$ 639,279	$ 441,661	$ 552,180	$ 756,900	$ 8,478

Note 4 – TERMINAL FINANCING RECEIVABLES, NET

The Company, as lessor, entered into terminal lease agreements, which were recorded as sales type leases, during the three and nine months ended March 31, 2016. The following are balances due as of March 31, 2016 and June 30, 2015. The leases require monthly payments, have a term of 30 months and bear interest at an effective rate of 12.49% per annum.

	March 31 2016	June 30 2015
Current	$ 143,398	$ 111,364
Non-current	105,331	172,068
	$ 248,729	$ 283,432

Terminal financing receivables repayments schedule.

Years ending:	
March 31, 2017	$ 143,398
March 31, 2018	105,331
	$ 248,729

Note 5 – INVENTORY

Inventory consists of the following as of March 31, 2016 and June 30, 2015:

	March 31 2016	June 30 2015
Terminals	$ 53,101	$ 146,650
Prepaid gift cards or other	15,764	10,494
	$ 68,865	$ 157,144

Note 6 – OTHER ASSETS

Other assets consist of the following as of March 31, 2016 and June 30, 2015:

	March 31 2016	June 30 2015
Research & development grant receivable	$ 974,761	$ 555,289
Prepayment	16,707	53,561
Other assets	137,633	171,001
	$ 1,129,101	$ 779,851

Note 7 – INTANGIBLE ASSETS

Intangible assets consist of the following as of March 31, 2016 and June 30, 2015:

	March 31 2016	June 30 2015
Moneytech and mPayments software	$ 6,139,988	$ 5,874,178
Accumulated amortization	(3,377,381)	(2,959,925)
	$ 2,762,607	$ 2,914,253

Amortization expense of $133,906 and $136,766 was included in cost of revenues for the three months ended March 31, 2016 and 2015, respectively and amortization expense of $395,765 and $431,938 was included in cost of revenues for the nine months ended March 31, 2016 and 2015, respectively.

Amortization for the Company's intangible assets over the next five fiscal years from March 31, 2016 is estimated to be:

Years ending March 31,	
2017	$ 536,946
2018	536,946
2019	536,946
2020	536,946
2021	536,946
Thereafter	77,877
Total	$ 2,762,607

Note 8 – GOODWILL

As of March 31, 2016 and June 30, 2015, the Goodwill was comprised of the following:

	March 31 2016	June 30 2015
Acquisition cost of Moneytech POS Pty Ltd.	$ 82,313	$ 82,560
Fixed assets received	(45,856)	(45,994)
Liability assumed	21,440	21,505
Acquisition cost assigned to goodwill	$ 57,897	$ 58,071

Note 9 – TRADE AND OTHER PAYABLES

As of March 31, 2016 and June 30, 2015, trade and other payables consist of the following:

	March 31 2016	June 30 2015
Trade payables	$ 1,941,427	$ 1,923,404
Accrued consulting costs	561,073	561,073
Employee benefits	191,786	245,159
Other liabilities	428,603	384,549
Total payables	$ 3,122,889	$ 3,114,185

Note 10 – LINE OF CREDIT AND CASH RESERVE LIABILITIES

	March 31 2016	June 30 2015
Wholesale loan facility	$ 11,769,992	$ 6,052,789
Cash reserve from customers	1,924,083	1,257,984
	$ 13,694,075	$ 7,310,773

Wholesale Loan Facility

The Company had a secured line of credit under a Receivables Purchase Agreement ("RPA") with a bank in Sydney Australia for up to AUD$25 million as of March 31, 2016 and June 30, 2015. The line of credit is secured mainly by trade receivables. Interest is charged at the bank's reserve rate plus an agreed upon margin from the bank. The agreement is renewed annually on an agreed anniversary date, the latest of which was March 31, 2016. The facility has been renewed until December 31, 2016. Interest expense charged to cost of revenue related to the loan for the three months ended March 31, 2016 and 2015 was USD $205,505 and USD $359,167, respectively, and for the nine months ended March 31, 2016 and 2015 was USD $580,118 and USD $1,225,492, respectively.

On April 10, 2015 the Company issued AUD $25 million of subordinated notes. Subsequent to the issue of the subordinated notes, as of April 16, 2015, the RPA interim, agreed upon, facility limit was decreased from AUD $40 million to AUD $25 million.

Cash reserve from customers

The Company is required to maintain certain cash reserves with its senior debt provider in accordance with the RPA. The Required Cash Reserve amount may be provided by the Company or its customers and is held in a 'Cash Reserve Account' with its senior debt provider in accordance with the RPA's terms and conditions. The Required Cash Reserve balance is adjusted based on the RPA and the total facility limit provided to the Company by the senior lender.

Note 11 – SHAREHOLDER'S LOAN

	March 31 2016	June 30 2015
Shareholder's loan	$ 38,277	$ 38,392

The Company has a loan payable in the amount of AUD$50,000 to a shareholder. The loan is due and payable on September 30, 2017. Interest of 8% is only payable if Moneytech has positive retained earnings at the time of repayment.

Note 12 – SUBORDINATED NOTES, NET

	March 31 2016	June 30 2015
Subordinated notes issued	$ 19,142,500	$ 19,200,000
Issuance costs	(764,577)	(766,873)
Subordinated notes, net proceeds	$ 18,377,923	$ 18,433,127
Issuance costs amortised	152,916	38,344
Subordinated notes, net	$ 18,530,839	$ 18,471,471

In April 2015 the Company issued AUD $25 million of subordinated notes. The notes mature in 7 years and have similar conditions, including financial covenants and restrictions as to use of proceeds, to the wholesale facility and are subordinate to that facility. The costs of the subordinated notes issuance were AUD $998,533 and the proceeds to the company were AUD $24,001,467. The subordinated notes bear interest at a rate of 4.65% per annum above the Australian BBSW rate. The BBSW rate as of the date of settlement, April 10, 2015, was 2.26% per annum. The notes can be redeemed early at increased cost to the Company or at the request of the holder in the event of a change in control.

	Three months ended March 31		Nine months ended March 31	
	2016	2015	2016	2015
Issuance costs amortized during the period	$ 36,018	$ -	$ 108,232	$ -
Interest paid during the period	325,900	-	984,362	-
Reported as interest expense in cost of revenue	$ 361,918	$ -	$ 1,092,594	$ -

Interest expense charged to cost of revenue related to the notes for the three and nine months ended March 31, 2016 was $361,918 and $1,092,594 respectively.

Note 13 – STOCKHOLDERS' EQUITY

Preferred Stock

The Company has 10,000 shares of Preferred Stock authorized, each having a par value of $0.01. Of the 10,000 shares, 5,000 were designated shares of Series B Preferred Stock of which 5,000 shares were issued and outstanding as of March 31, 2016 and June 30, 2015 (the "Series B Preferred Shares"). Under the terms of the Series B Preferred Stock Certificate of Designation, the holder(s) of the Series B Preferred Shares have the right, until June 30, 2018, to (A) elect the majority of the Company's Board of Directors and (B) vote on all other matters to come before the holders of common stock (the "Common Stock") with each vote per share of Series B Preferred Stock equal to 1,000 shares of Common Stock.

After June 30, 2018, the Series B Preferred Shares shall have no voting rights and shall be redeemable by the Company for the sum of one tenth of a cent ($0.001) per Series B Preferred Share. The Series B Preferred Shares will not have any conversion rights and shall not be entitled to receive any dividends, distributions, or other economic or financial interest in the Company, and in the event of a liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the holders of Class B Preferred Shares will be entitled to receive out of the Company's assets, whether such assets are capital or surplus, of any nature, the sum of one-tenth of a cent ($0.001) per Series B Preferred Share, after payment to the holders of the Common Stock and the holders of any other series or class of the Company's equity securities ranking senior to the Common Stock.

Common Stock

The Company had 12,000,000 shares of Common Stock authorized, each having a par value of $0.001, as of March 31, 2016 and June 30, 2015 after giving effect to the change in authorized shares discussed below. All authorized shares have been retroactively restated for the reduction in both periods presented. There were 8,791,632 and 7,671,632 shares issued and outstanding as of March 31, 2016 and June 30, 2015, respectively.

On October 3, 2013, the Company amended and restated its certificate of incorporation to decrease the number of authorized shares of Common Stock and Preferred Stock to 50,000,000 and 1,000,000 respectively. The Company also reduced the par value of the Common Stock to $0.001 from $0.10.

On October 29, 2013, 150,000 shares which had previously been issued to contractors were cancelled because performance criteria relating to the issuance of these shares had not been met.

On February 11, 2014, 2,140,000 shares which had previously been issued to Edward DeFeudis and Marco Garibaldi were returned for cancellation as per the terms of the Separation agreement.

On February 11, 2014, 100,000 of the shares returned in the Separation Agreement were issued to a note holder.

On July 16, 2015 the number of authorized shares of common stock was reduced from 50,000,000 to 12,000,000 shares and the number of authorized shares of preferred stock was reduced from 1,000,000 to 10,000 shares.

On September 9, 2015 the Board of Directors awarded an Officer 960,000 and a Director 160,000 restricted shares at a fair value of $0.40 per share, totaling $448,000.

Note 14 – STOCK COMPENSATION

Restricted shares

On September 9, 2015 the Board of Directors awarded an Officer 960,000 and a Director 160,000 restricted shares at a fair value of $0.40 per share or $448,000. The restricted shares were awarded for services rendered.

Note 15 – STOCK OPTIONS

On April 19, 2013, the Company entered into an agreement with a software developer. Upon achievement of certain milestones, the contractor could receive up to 100,000 Performance Based Stock Options at an exercise price of $2.50 per share. The options vested and became exercisable immediately upon grant with a 3 year life. As of June 30, 2015, 14,500 of the Performance Based Stock Options are vested. No additional shares can be vested. The Fair Value of the options was calculated using the following assumptions: estimated life of three years, volatility of 351%, risk free interest rate of .35%, and dividend yield of 0%. The grant date Fair Value of options was $249,995.

On July 19, 2013, the Company granted 75,000 Stock Options to each of the three non-employee directors pursuant to the Omnibus Incentive Plan. These Stock Options are exercisable at an exercise price of $2.02 per share. The options vest as to 2,083 shares per non-employee director on September 30, 2013, and as to an additional 2,083 shares each on the last day of each calendar month thereafter through and including August 31, 2016, except that the right to exercise the Options shall vest as to an additional 2,095 shares on the last day of August 31, 2016. The options become exercisable immediately upon vesting and continue in force through June 30, 2020 (the "Expiration Date"), unless sooner terminated as provided herein and in the Plan. The Fair Value of the options was calculated using the following assumptions: estimated life of seven years, volatility of 755 %, risk free interest rate of 2.02%, and dividend yield of 0%. The grant date Fair Value of options was $454,500. In May 2015, a non-employee director resigned. At that time, 41,660 options were vested. The vested options were not exercised within the three month period of his resignation and those options were forfeited.

On August 22, 2013, the Company granted 25,000 Stock Options to a contractor. These Stock Options are exercisable at an exercise price of $1.30 per share. The options vested and became exercisable immediately upon granting and continue in force through August 22, 2016 (the "Expiration Date"), unless sooner terminated as provided by the agreement. The Fair Value of the options was calculated using the following assumptions: estimated life of three years, volatility of 843%, risk free interest rate of .82%, and dividend yield of 0%. The grant date Fair Value of options was $32,500.

On September 9, 2015, the Company granted 75,000 Stock Options to each of the two non-employee directors pursuant to the Omnibus Incentive Plan. These Stock Options are exercisable at an exercise price of $0.40 per share. The options vest as to 6,250 shares per non-employee director on October 31, 2015, and as to an additional 6,250 shares each on the last day of each calendar month thereafter through and including September 30, 2016. The options become exercisable for the first time on March 9, 2016, to the extent vested, and continue in force through September 9, 2025 (the "Expiration Date"), unless sooner terminated as provided herein and in the Plan. The Fair Value of the options was calculated using the following assumptions: estimated life of seven years, volatility of 94%, risk free interest rate of 1.91%, dividend yield of 0% and forfeiture rate of 10%. The grant date Fair Value of options was $38,892.

On September 9, 2015, the Company granted 1,000,000 Stock Options to Hugh Evans pursuant to the Omnibus Incentive Plan. These Stock Options are exercisable at an exercise price of $0.44 per share. The options vest as to 41,640 shares on October 31, 2015, and as to an additional 41,640 shares each on the last day of each calendar month thereafter through and including May 31, 2016 and as to an additional 41,680 shares on the last day of each calendar month thereafter through and including September 30, 2017. The options become exercisable for the first time on March 9, 2016, to the extent vested, and continue in force through September 9, 2025 (the "Expiration Date"), unless sooner terminated as provided herein and in the Plan. The Fair Value of the options was calculated using the following assumptions: estimated life of seven years, volatility of 94%, risk free interest rate of 1.91%, dividend yield of 0% and forfeiture rate of 10%. The grant date Fair Value of options was $256,066.

On September 9, 2015, the Company granted 1,075,000 Stock Options to employees pursuant to the Omnibus Incentive Plan. These Stock Options are exercisable at an exercise price of $0.40 per share. The options vest as to 44,771 shares on October 31, 2015, and as to an additional 44,771 shares each on the last day of each calendar month thereafter through and including May 31, 2016 and as to an additional 44,802 shares on the last day of each calendar month thereafter through and including September 30, 2017. The options become exercisable for the first time on March 9, 2016, to the extent vested, and continue in force through September 9, 2025 (the "Expiration Date"), unless sooner terminated as provided herein and in the Plan. The Fair Value of the options was calculated using the following assumptions: estimated life of seven years, volatility of 94%, risk free interest rate of 1.91%, dividend yield of 0% and forfeiture rate of 10%. The grant date Fair Value of options was $278,724.

The Company recorded $101,781 and $37,869 option expense in the three months ended March 31, 2016 and 2015, respectively and $228,807 and $113,607 option expense in the nine months ended March 31, 2016 and 2015, respectively.

The following is a summary of the activity in the nine months ended March 31, 2016 and 2015.

	Nine months ended	
	March 31 2016	March 31 2015
Outstanding at July 1	350,000	350,000
Granted	2,225,000	-
Exercised	-	-
Expired	-	-
Forfeitures	(75,000)	-
Outstanding at March 31	2,500,000	350,000
Exercisable at March 31	762,112	158,231

Options outstanding at March 31, 2016 and June 30, 2015 are as follows:

As of	Exercise Price	Options (Outstanding)	Weighted Average Remaining Life (Years) (Outstanding)	Weighted Average Exercise Price (Outstanding)	Options (Exercisable)	Weighted Average Exercise Price (Exercisable)
March 31, 2016	$0.40 to $2.50	2,500,000	8.98	$ 0.54	762,112	$ 0.75
June 30, 2015	$1.30 to $2.50	350,000	4.41	$ 1.96	172,812	$ 1.94

The fair value of the equity instruments granted was determined using the closing price on the day the shares were granted in the case of shares issued and using the Black and Scholes option valuation model in the case of share options granted.

Note 16 – RELATED PARTY TRANSACTIONS

During the three and nine months ended March 31, 2016 and 2015, the Company paid a company controlled by the President of Moneytech for consulting services $0 and $22,037 (three months ended), respectively, and $0 and $131,310 (nine months ended), respectively. This arrangement was terminated as of January 31, 2015.

During the three and nine months ended March 31, 2016, the Company paid one non-executive director a referral fee related to the subordinated note issuance of approximately $0 and $39,212, respectively.

Note 17 – INCOME TAX

The following is the income tax expense reflected in the Statement of Operations for the three months and nine months ended March 31, 2016 and 2015:

INCOME TAX EXPENSE

	Three months ended March 31		Three months ended March 31		Three months ended March 31	
	2016	2015	2016	2015	2016	2015
	Australia		United States		Total	
Income tax expense - current	$ -	$ -	$ -	$ -	$ -	$ -
Income tax expense - deferred	16,311	(13,702)	-	-	16,311	(13,702)
Total	$ 16,311	$ (13,702)	$ -	$ -	$ 16,311	$ (13,702)

INCOME TAX EXPENSE

	Nine months ended March 31		Nine months ended March 31		Nine months ended March 31	
	2016	2015	2016	2015	2016	2015
	Australia		United States		Total	
Income tax expense - current	$ -	$ -	$ -	$ -	$ -	$ -
Income tax expense - deferred	92,583	117,527	-	-	92,583	117,527
Total	$ 92,583	$ 117,527	$ -	$ -	$ 92,583	$ 117,527

The following are the components of income before income tax reflected in the Statement of Operations for the three and nine months ended March 31, 2016 and 2015:

COMPONENTS OF LOSS BEFORE INCOME TAX

	Three months ended March 31		Three months ended March 31		Three months ended March 31	
	2016	2015	2016	2015	2016	2015
	Australia		United States		Total	
Loss before income tax	$ (142,130)	$ (219,871)	$ (182,374)	$ (89,981)	$ (324,504)	$ (309,852)
Income tax	$ 16,311	$ (13,702)	$ -	$ -	$ 16,311	$ (13,702)
Effective tax rate	(11)%	6%	-%	-%	(5)%	4%

COMPONENTS OF LOSS BEFORE INCOME TAX

	Nine months ended March 31		Nine months ended March 31		Nine months ended March 31	
	2016	2015	2016	2015	2016	2015
	Australia		United States		Total	
Loss before income tax	$ (249,643)	$ (129,573)	$ (897,201)	$ (516,445)	$ (1,146,844)	$ (646,018)
Income tax	$ 92,583	$ 117,527	$ -	$ -	$ 92,583	$ 117,527
Effective tax rate	(37)%	(91)%	-%	-%	(8)%	(18)%

The following is a reconciliation of the provision for income taxes at the US federal income tax rate to the income taxes reflected in the Statement of Operations for the three and nine months ended March 31, 2016 and 2015:

INCOME TAX RATE RECONCILIATION

	Three months ended March 31		Three months ended March 31		Three months ended March 31	
	2016	2015	2016	2015	2016	2015
	Australia		United States		Total	
US statutory rates	34%	34%	34%	34%	34%	34%
Tax rate difference	(4)%	(4)%	(4)%	(4)%	(4)%	(4)%
Research and development grant income	31%	21%	-%	-%	14%	15%
Research and development grant eligible expenditure	(46)%	(28)%	-%	-%	(21)%	(20)%
Research and development grant eligible amortisation	(27)%	(19)%	-%	-%	(12)%	(12)%
USA losses	-%	-%	(30)%	(30)%	(17)%	(9)%
Other	1%	2%	-%	-%	1%	-%
Tax expenses at actual rate	(11)%	6%	-%	-%	(5)%	4%

INCOME TAX RATE RECONCILIATION

	Nine months ended March 31		Nine months ended March 31		Nine months ended March 31	
	2016	2015	2016	2015	2016	2015
	Australia		United States		Total	
US statutory rates	34%	34%	34%	34%	34%	34%
Tax rate difference	(4)%	(4)%	(4)%	(4)%	(4)%	(4)%
Research and development grant income	48%	98%	-%	-%	7%	20%
Research and development grant eligible expenditure	(74)%	(121)%	-%	-%	(16)%	(24)%
Research and development grant eligible amortisation	(47)%	(100)%	-%	-%	(10)%	(20)%
USA losses	-%	-%	(30)%	(30)%	(21)%	(24)%
Other	6%	2%	-%	-%	1%	-%
Tax expenses at actual rate	(37)%	(91)%	-%	-%	(9)%	(18)%

The following are the components of deferred tax reflected in the Statement of Operations for the three and nine months ended March 31, 2016 and 2015:

COMPONENTS OF DEFERRED TAX EXPENSE

	Three months ended March 31		Three months ended March 31		Three months ended March 31	
	2016	2015	2016	2015	2016	2015
	Australia		United States		Total	
Tax losses carried forward	$ (12,537)	$ 10,400	$ -	$ -	$ (12,537)	$ 10,400
Doubtful debts reserve	22,872	3,656	-	-	22,872	3,656
Accruals	5,976	(27,758)	-	-	5,976	(27,758)
	$ 16,311	$ (13,702)	$ -	$ -	$ 16,311	$ (13,702)

COMPONENTS OF DEFERRED TAX EXPENSE

	Nine months ended March 31		Nine months ended March 31		Nine months ended March 31	
	2016	2015	2016	2015	2016	2015
	Australia		United States		Total	
Tax losses carried forward	$ 52,781	$ 163,633	$ -	$ -	$ 52,781	$ 163,633
Doubtful debts reserve	25,318	(12,698)	-	-	25,318	(12,698)
Accruals	14,484	(33,408)	-	-	14,484	(33,408)
	$ 92,583	$ 117,527	$ -	$ -	$ 92,583	$ 117,527

The following are the components of deferred tax reflected in the Balance Sheet as of March 31, 2016 and June 30, 2015:

COMPONENTS OF DEFERRED TAX ASSET

	March 31 2016	June 30 2015	March 31 2016	June 30 2015	March 31 2016	June 30 2015
	Australia		United States		Total	
Tax losses carried forward	$ 816,640	$ 875,244	$ -	$ -	$ 816,640	$ 875,244
Doubtful debts reserve	146,658	174,008	-	-	146,658	174,008
Accruals	51,039	66,587	-	-	51,039	66,587
	$ 1,014,337	$ 1,115,839	$ -	$ -	$ 1,014,337	$ 1,115,839
Deferred tax assets - current	$ 229,710	$ 230,400	$ -	$ -	$ 229,710	$ 230,400
Deferred tax assets - non current	784,627	885,439	-	-	784,627	885,439
	$ 1,014,337	$ 1,115,839	$ -	$ -	$ 1,014,337	$ 1,115,839

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenue and expense. In evaluating the ability to recover the deferred tax assets within the jurisdiction from which they arise, the Company considered all available positive and negative evidence, including scheduled reversals of deferred tax liabilities, projected future taxable income, tax planning strategies and recent financial operations. In projecting future taxable income, the Company began with historical results adjusted for changes in accounting policies and incorporates assumptions including the amount of future pretax operating income, the reversal of temporary differences, and the implementation of feasible and prudent tax planning strategies. These assumptions require significant judgment about the forecasts of future taxable income and are consistent with the plans and estimates the Company are using to manage the underlying businesses. In evaluating the objective evidence that historical results provide, the Company considers three years of cumulative operating income (loss).

As of March 31, 2016, Moneytech had approximately $2,722,132 in net operating loss (“NOL”) carry forward available to offset future taxable income in Australia. The NOLs can be carried forward without expiration in Australia. Management believes that all NOLs will be utilized in the near future and therefore no allowance was made.

As of March 31, 2016, Source had federal NOL’s of approximately $15.7 million dollars to offset future taxable income in the US. Federal NOLs can generally be carried forward 20 years. However, for changes in ownership like the merger, Internal Revenue Code section 382 places limitations on the utilization of federal NOL’s generated prior to the change in ownership. As of March 31, 2016 Source had Federal NOL’s of approximately $13 million that were generated prior to the merger and Source may only use approximately $161,500 per year of these NOL’s. As of March 31, 2016 Federal NOL’s of approximately $2,743,616 had been generated subsequent to the merger and are not subject to the Internal Revenue Code section 382 limitation. The deferred tax assets of the US entities at March 31, 2016 were fully reserved. Management believes it is more likely than not that these assets will not be realized in the near future.

Note 18 – EQUITY INVESTMENT

On January 16, 2013 the Company entered into an agreement whereby it received a 37.5% equity interest in 360 Market Pty. Limited (“360”) in exchange for allowing 360 to utilize certain license rights. There was no exchange of cash or debt for the transaction and it was accounted for at its fair value of $0. The investment is accounted for by the equity method since the Company obtained a 37.5% equity interest.

360 incurred continuous losses from inception through December 31, 2014, and as a result the Company did not recognize any income or return from the investment for the periods ended December 31, 2014 and earlier as doing so would have created a negative carrying value in the investment account. The Company discontinued using the equity method rather than establish a negative balance for periods through December 31, 2014.

During the year ended June 30, 2015, 360 was profitable and absorbed its accumulated losses.

The Company expects this performance to continue and as a result the Company commenced recording 37.5% of the accumulated profits to date as income in the year ended June 30, 2015. A gain on equity method investment of $54,082 has been reported in the Statement of Operations and Comprehensive Loss for the nine months ended March 31, 2016. As a result of the current period 360 profits the Company has recorded an Investment in equity affiliate of $57,987 in the Balance Sheet as at March 31, 2016.

Note 19 – COMMITMENTS

The Company leases one office in Australia under a renewable operating lease expiring on August 31, 2016.

Our corporate Australian headquarters are located at Level 6/97 Pacific Highway, North Sydney NSW 2060 Australia, where we lease approximately 350 square meters of office and operations space pursuant to lease agreements expiring in August 2016. The annual rent for the premises is AUD $168,725. During the nine months ended we closed our office on Albany Highway, Victoria Park, Western Australia and have no lease commitments with regard to these premises as of March 31, 2016.

For the three and nine months ended March 31, 2016 and 2015, the aggregate rental expense was USD $29,873 and USD $28,975 (three months), respectively and USD $93,540 and USD $98,047 (nine months), respectively.

Future minimum rental payments required under operating leases as of March 31, 2016 are as follows:

Year ended March 31, 2017	$	53,830

Note 20 – SUBSEQUENT EVENTS

Management has evaluated events subse quent through May 12, 2016 for transactions and other events that may require adjustment of and/or disclosure in such financial statements. We have nothing to report in this regard.

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 consolidated financial statements and the related notes included elsewhere in this report and with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended June 30, 2015. 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.

Overview

We provide commercial asset based lending including accounts receivable and trade financing and other financial services to small to medium sized businesses and individuals in Australia through Moneytech Limited and its subsidiaries, Moneytech POS Pty Ltd and mPayments Pty Ltd with a focus on utilizing leading edge technology to deliver these services.

Moneytech commenced operations in 2003 as an Australian based, technology driven, commercial finance company. Since 2005 Moneytech has had a securitized wholesale debt facility (the "Wholesale Facility," "Receivables Purchase Agreement" or "RPA") with Westpac, which had an AUD $40 million interim agreed upon limit but which was reduced to AUD $25 million in conjunction with the April, 2015 issuance by the Company of AUD $25 million of its subordinated debt securities. Moneytech Limited has been in operation for over twelve years and has operated profitably in five of the last six years.

The Company issued AUD $25 million of debt securities in a private placement completed in Australia in April 2015. The notes mature in 7 years and have similar conditions, including financial covenants and use of proceeds, to the wholesale facility and are subordinate to that facility. The costs of the Subordinated Note issuance were AUD $998,533 million and the proceeds to the company were AUD $24,001,467 million. The Subordinated Notes bear interest at a rate of 4.65% per annum above the Australian BBSW rate. The BBSW rate as of the date of settlement, April 10, 2015, was 2.26% per annum. The Notes can be redeemed early at increased cost to the Company or at the request of the holder in the event of a change in control.

Moneytech uses the Wholesale Facility and the proceeds of the Subordinated Notes to offer asset based, trade finance or accounts receivable finance and working capital solutions to small and medium enterprises ("SME's") throughout Australia.

The advantages to the Company of the issuance of the Subordinated Notes include removing reliance on a single source of funding with the uncertainty of an annual renewal event and the removal of delays associated with wholesale facility approval requirements for new customers. Credit insurance is required and obtained on the same terms as the existing wholesale facility.

The funding provided by the Subordinated Notes provides the Company with the ability to identify and underwrite new customers according to the Companies' existing policies. The proceeds will allow the Company to expand its commercial asset based lending activities.

To distinguish itself from traditional asset based lenders, and to manage and facilitate the advance of money to its customers, Moneytech has developed, operates and maintains its own real time core money transfer platform called The Moneytech Exchange. The Moneytech Exchange stores and tracks every invoice and payment entered into the system and automatically communicates with the major Australian transactional banks to settle thousands of transactions per day, in real time. The Moneytech Exchange is fully automated, real time and online. Human intervention only occurs to manage exceptions and provide necessary transaction approvals or authorizations.

Our objective is to become a leading provider of commercial lines of credit and financial services, in particular money transfer services, to small and medium businesses, and individuals in Australia. We seek to differentiate our services by developing and utilizing leading edge technologies to deliver our services. Moneytech currently provides asset based lines of credit in Australia using funds made available under its RPA with Westpac and from the issuance of its Subordinated Notes. We also provide payment processing (money transfer) solutions in Australia. We are seeking financing to expand Moneytech's asset based credit solutions operations in Australia through a combination of organic growth and strategic acquisitions and we are considering introducing those operations in the United States, most likely through a strategic acquisition. We do not have any understandings, commitments or understandings with respect to any acquisitions.

Principal factors affecting result of operations

Net income attributable to our shareholders, and the associated return on equity, are the primary metrics by which we judge the performance of our business. Accordingly, we closely monitor the primary drivers of net income:

- *Net financing income - We track the split between the interest income, finance charges and fee income earned on the funds we lend and the interest, finance charges and fees incurred on our Wholesale Facility and Subordinated Notes, and continually monitor the components of our yield and our cost of funds. In addition, we monitor external rate trends, including the Reserve Bank of Australia cash rate.*

- *Net bad debt losses - Other than our cost of funds- interest expense and related fees- the largest driver of business profitability is the minimization of bad debts. Each asset based line of credit is priced based on an industry and individual customer risk profile developed by us. Delinquencies negatively impact our business performance. Our profitability is directly connected to our net credit losses; therefore, we closely analyze credit performance and seek to limit our exposure when feasible through the purchase of credit insurance. Our target customer is a business that has financing requirements (in terms of size and time to funding) that make them ineligible candidates for loans from larger Australian commercial banks. Our lending criteria have, to date, resulted in a relatively low level of overdue and delinquent balances and corresponding minimizing of bad debt. We extend Credit for a maximum of 122 days. Amounts outstanding beyond their due date are considered overdue and amounts overdue for more than 30 days are considered delinquent. We monitor credit quality within our portfolio by observing trends in "average collection periods" "Days Sales Outstanding," delinquent balances as a percentage of our portfolio and single obligor concentration limits and expect our bad debt to be approximately 0.15% of amounts funded. We assess the recoverability of each delinquent balance and overall customer balances when determining the required amount of bad debt reserve.*

- *Costs and expenses - We assess our operational efficiency using our cost-to-income ratio. We perform extensive analysis to determine whether observed fluctuations in cost and expense levels indicate a trend or are the nonrecurring impact of large projects. Our cost and expense analysis also includes a loan- and portfolio-level review of origination and servicing costs to assist us in assessing profitability by pool and vintage. Portfolio volume and rate of turnover determine the magnitude of the impact of each of the above factors on our earnings, we also closely monitor new business volume and business growth.*

The accounts of Moneytech and its wholly owned subsidiaries are maintained, and its consolidated financial statements are expressed, in Australian dollars. Such financial statements were translated into United States Dollars to prepare the consolidated financial statements included in this Report. All assets and liabilities were translated at the exchange rate at the date of each balance sheet, stockholders' equity is translated at the historical rates as of the date of each balance sheet 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 consolidated statements of operations. The resulting translation adjustments are reported under other comprehensive income as a component of shareholders' equity.

Results of Operations

The following discussion of our results of operations constitutes management's review of the factors that affected our financial and operating performance for the three months ended March 31, 2016 ("Q3 2016") and 2015 ("Q3 2015") respectively. This discussion should be read in conjunction with the consolidated financial statements and notes thereto contained elsewhere in this report.

Third quarter fiscal 2016 v third quarter fiscal 2015

Set forth below are certain items from our operating statements in our presentation currency, United Stated Dollars ("US$"), for the three months ended March 31, 2016 and 2015:

	For the three months ended March 31		$ Increase	% Increase
	2016	2015	(Decrease)	(Decrease)
	USD	USD	USD	
Revenue	$ 1,190,093	$ 1,145,224	$ 44,869	4%
Confirmed capital and credit express	965,529	828,977	136,552	16%
Interest revenue	637,705	473,959	163,746	35%
Fees	326,393	354,152	(27,759)	(8)%
Other revenue	1,431	866	565	65%
Payment services	213,643	289,253	(75,610)	(26)%
Terminal sales and transactions	158,847	251,093	(92,246)	(37)%
Hubbed	24,393	24,810	(417)	(2)%
Giftcard programrevenue	30,403	13,350	17,053	128%
Other revenue	10,921	26,994	(16,073)	(60)%
360FX customer referral	10,341	26,744	(16,403)	(61)%
Foreign exchange	581	241	340	141%
Other revenue	(1)	9	(10)	(111)%
Cost of revenue	949,901	814,451	135,450	17%
Confirmed capital and credit express	674,701	470,548	204,153	43%
Interest expense	567,426	365,146	202,280	55%
Account Issuing Expenses	36,944	37,086	(142)	(0)%
Insurance	63,959	67,406	(3,447)	(5)%
Other	6,372	910	5,462	600%
Payment services	119,047	174,112	(55,065)	(32)%
Terminal sales and transactions	106,728	169,946	(63,218)	(37)%
Hubbed	3,181	764	2,417	316%
Gift card expenses	9,138	3,402	5,736	169%
Depreciation and amortization	155,426	162,605	(7,179)	(4)%
Other cost of revenue	727	7,186	(6,459)	(90)%
Gross profit	240,192	330,773	(90,581)	(27)%
Operating	763,716	810,821	(47,105)	(6)%
Compensation expenses	292,968	396,799	(103,831)	(26)%
Research and development expense	225,983	192,028	33,955	18%
Bad debt expenses	20,944	7,762	13,182	170%
Bad debts recovered	-	854	(854)	(100)%
Professional expenses	92,461	(6,159)	98,620	(1,601)%
Occupancy expenses	52,109	52,870	(761)	(1)%
Depreciation expense	7,610	13,148	(5,538)	(42)%
General and administration expenses	71,641	153,519	(81,878)	(53)%
Loss from operations	(523,524)	(480,048)	(43,476)	9%
Other income	199,020	170,196	28,824	17%
Loss before income tax	(324,504)	(309,852)	(14,652)	5%
Income tax expense	16,311	(13,702)	30,013	(219)%
Net loss	(340,815)	(296,150)	(44,665)	15%
Other comprehensive income / (loss)				
Foreign currency translation	198,277	(387,006)	585,283	(151)%

Comprehensive loss	$ (142,538)	$ (683,156)	$ 540,618	(79)%

Revenue

Consolidated revenue from operations for Q3 2016 was approximately $1,190,093, an increase of $44,869 or 4% from our consolidated revenue from operations for Q3 2015 of $1,145,224. Revenue increased primarily as a result of a $136,552 or 16% increase in Confirmed Capital and Credit Express revenues which was partially offset by decreases in Payment services revenues of $75,610 or 26% and other revenue of $16,073 or 60%.

The increase in Confirmed Capital and Credit Express revenues is attributable to an increase of $163,746 or 35% in Interest revenue, an increase in other revenue of $565 or 65%, offset by a decrease of $27,759 or 8% in fees. The increase in Interest revenues was attributed to increases in the lines of credit we funded. The lines of credit we funded were approximately $39 million during Q3 2016 and $37 million during Q3 2015. The increase in lines of credit we funded in Q3 2016 was the result of the aggressive expansion of our customer base. The decrease in fee revenue was primarily attributable to a deterioration in foreign exchange rates.

The decrease in payment services revenue is primarily attributable to a decrease in terminal sales and transactions revenues of $92,246 or 37%, a decrease in Hubbed revenues of $417 or 2%, offset by an increase in Giftcard program revenues of $17,053 or 128%. Terminal sales revenues decreased as fewer terminals were sold in Q3 2016 as terminal sales attributed to the replacement of a fleet of terminals in Q3 2015 were not repeated. We provided 144 terminals to customers in Q3 2016, a decrease of 216 terminals from the 360 terminals provided to customers in Q3 2015. The decrease in Hubbed revenues is attributable to a decrease in the monthly account fees charged. The gift cards increase is primarily attributable to new card activity by our existing customers in Q3 2016.

The decrease in Other revenue of $16,073 is primarily attributed to a decrease in the volume of foreign exchange transactions done by our customers.

Cost of Revenue; Gross Profit

Cost of revenue from operations, which is composed principally of the interest, fees and insurance we pay related to funds borrowed and the amortization expense of capitalized research and development costs was $949,901 in Q3 2016, an increase of $135,450 or 17% from our cost of revenue of $814,451 for Q3 2015. Costs of revenue increased 17% primarily as a result of increases in Confirmed Capital and Credit Express costs of 43% or $204,153 which were partially offset by decreases in Payment Services costs of 32% or $55,065, in depreciation and amortization costs of 4% or $7,179 and in Other costs of 90% or $6,459.

The increase in Confirmed Capital and Credit Express costs of $204,153 is mainly attributable to an increase of 55% or $202,280 in interest expense. Decreases in the costs associated with new accounts of 0% or $142, in insurance costs of 5% or $3,447 and increases in Other fees of 600% or $5,462 account for the remainder. Our interest expense increased quarter over quarter as the volume of credit lines funded increased and our cost of funding increased as a result of the issue of the Subordinated Notes.

The Payment Services cost decrease of $55,065 is primarily attributable to a decrease in the number of new terminals deployed to Mpos customers. The decrease in costs attributed to this decrease in terminals is $63,218. Slight increases in Hubbed costs of $2,417 and Gift cards costs of $5,736 accounted for the remainder.

Our gross profit from operations, decreased $90,581 from $330,773 in Q3 2015 to $240,192 in Q3 2016. This was primarily attributable to interest revenue increases at Confirmed Capital and Credit Express being more than offset by the increases in our interest expenses and decreases in the volume of foreign exchange transactions done by our customers as described above.

Operating Expenses; Bad Debt Expense; Income from Operations

Apart from the costs under our RPA and Subordinated Notes, the other significant factor in determining our overall profitability is our operating expenses, in particular our bad debt expense. Our bad debt expense in Q3 2016 was $20,944, representing an increase of $13,182 from bad debt expense of $7,762 in Q3 2015. We regularly evaluate the credit quality of our customers and this increase is attributable to changes in the assessment of several customer balances in line with our credit and collections policy.

The percentage of delinquent balances in our portfolio was 1.50% and 2.02% as of March 31, 2016 and 2015, respectively. The percentage of delinquent balances in our portfolio averaged 1.87% and 1.96% in Q3 2016 and 2015, respectively. The average collection period in our portfolio was 58 days at March 31, 2016, up from 41 days at March 31, 2015. Bad debts as a percentage of amount funded was 0.01% and 0.02% in Q3 2016 and 2015, respectively.

Our total operating expenses (other than bad debt) decreased by $59,433 or 7% from $802,205 in Q3 2015 to $742,772 in Q3 2016. This decrease is primarily attributable to compensation costs ($103,831 or 45%) and general and administration costs ($81,878 or 53%), offset by increases in research and development expense ($33,955 or 18%) and professional expenses ($98,620 or 1,601%). There were also slight changes in Occupancy (decrease $761) and depreciation (decrease $5,538). The compensation costs decrease reflects changes in our annual and long service leave accruals in Q3 2015 that were not repeated in Q3 2016. The increase in professional expenses reflects reductions of previously recorded legal fees in Q3 2015 following the completion of the registration statement and withdrawal of the S1 in Q3 fiscal 2015 that were not repeated in Q3 2016.

Other Income; Provision for income taxes; net (loss) income

To date, our other expense (income) has consisted of financing costs other than those incurred under the RPA and in connection with the Subordinated Notes, offset by interest income on the cash reserves we are required to maintain under the RPA and the Subordinated Notes, and research and development grants received from the Australian government. In Q3 2016 we accrued AUD $205,000 (USD $147,926) for research grants we expect to receive later this year from the Australian government.

Under the Australian grant program, we are eligible for government grants equal to 43% of the amounts spent on research and development. Grant processing and payment takes place annually and payment of the grant is not discretionary if the applicable criteria are met. The company prepares the claim and the expected payment is accrued as income when the grant criteria are met. Much of the related expense is capitalized and amortized as a part of cost of revenues, generally over the following 10 years.

Our net loss from operations before tax in Q3 2016 was $324,504, as opposed to a net loss of $309,852 in Q3 2015. As a result of $16,311 in taxes incurred in Q3 2016, we incurred a net loss after tax in Q3 2016 of $340,815, as compared to net loss after tax in Q3 2015 of $296,150. No tax benefit has been recognized for the losses incurred in the United States because management believes it more likely than not that these assets will not be realized in the near future. Operations in Australia were not profitable as a result of a decrease in net interest margin, an increase in bad debts and an increase in non-cash stock based compensation.

Other comprehensive income.

Our other comprehensive income consists of gains and losses in net asset value that occur when movements in foreign exchange rates occur. These gains or losses are primarily as a result of changes in the AUD/USD exchange rate. We cannot and do not attempt to predict movements in these exchange rates. The changes in net asset value occur because our net assets and operational activity are principally in Australian Dollars. We do not hedge the foreign exchange rate exposure. If we initiate operations in the United States, the impact of foreign exchange rates on our results of operations will decrease.

The average AUD/USD exchange rates were 1 to 0.7866 and 1 to 0.7215 in Q3 2015 and 2016, respectively.

The following table reflects the movements in our revenues and cost of revenues in our functional currency, Australian Dollars ("A$"), for the three months ended March 31, 2016 and 2015.

	For the three months ended March 31		A$ Increase	% Increase	% Revenue / Cost of revenue
	2016	2015	(Decrease)	(Decrease)	move
	AUD	AUD	AUD		
Revenue	A$ 1,649,891	A$ 1,437,830	A$ 212,061	15%	15%
Confirmed capital and credit express	1,338,699	1,042,309	296,390	28%	21%
Interest revenue	883,849	596,716	287,133	48%	20%
Fees	452,850	444,493	8,357	2%	1%
Other revenue	2,000	1,100	900	82%	0%
Payment services	296,025	361,340	(65,315)	(18)%	(5)%
Terminal sales and transactions	220,090	307,914	(87,824)	(29)%	(6)%
Hubbed	33,837	36,631	(2,794)	(8)%	(0)%
Giftcard program revenue	42,098	16,795	25,303	151%	2%
Other revenue	15,167	34,181	(19,014)	(56)%	(1)%
360FX customer referral	14,362	33,895	(19,533)	(58)%	(1)%
Foreign exchange	805	286	519	181%	0%
Cost of revenue	1,316,593	1,016,780	299,813	29%	29%
Confirmed capital and credit express	935,206	586,463	348,743	59%	34%
Interest expense	786,521	457,717	328,804	72%	32%
Account Issuing Expenses	51,247	45,441	5,806	13%	1%
Insurance	88,584	82,737	5,847	7%	1%
Other	8,854	568	8,286	1,459%	1%
Payment services	164,933	217,840	(52,907)	(24)%	(5)%
Terminal sales and transactions	147,868	216,031	(68,163)	(32)%	(7)%
Hubbed	4,415	(2,403)	6,818	(284)%	1%
Gift card expenses	12,650	4,212	8,438	200%	1%
Depreciation and amortization	215,444	203,472	11,972	6%	1%
Other cost of revenue	1,010	9,005	(7,995)	(89)%	(1)%
Gross profit	A$ 333,298	A$ 421,050	A$ (87,752)	(21)%	

Revenue

Consolidated revenue from operations in Q3 2016 was approximately A$1,649,891, an increase of A$212,061 or 15% from our consolidated revenue from operations in Q3 2015 of A$1,437,830. Revenue increased primarily as a result of an A$296,390 or 28% increase in Confirmed Capital and Credit Express revenues partially offset by decreases in Payment Services revenues of A$65,315 or 18% and Other revenue of A$19,014 or 56% accounts for the remainder.

The increase in Confirmed Capital and Credit Express revenues was attributable to an increase of A$287,133 or 48% in Interest revenues, an increase of A$8,357 or 2% in Fees and a slight increase in Other revenues of A$900 or 82%. The increase in Interest revenues was attributed to increases in the lines of credit we funded. The lines of credit we funded were approximately A$54 million during Q3 2016 and A$47 million during Q3 2015. The increase in lines of credit we funded in Q3 2016 was the result of the aggressive expansion of our customer base. The increase in fee revenue was mainly attributable to an increase of A$33,512 in merchant service and surcharge fees as new customers utilized their facilities, offset by a decrease in account application fees of A$16,500.

The decrease in payment services revenue is primarily attributable to a decrease in terminal sales and transactions revenues of A$87,824 or 29%, a decrease in Hubbed revenues of A$2,794 or 8%, offset by an increase in Giftcard program revenues of A$25,303 or 151%. Terminal sales revenues decreased as fewer terminals were sold in Q3 2016 as terminal sales attributed to the replacement of a fleet of terminals in Q3 2015 were not repeated. We provided 144 terminals to customers in Q3 2016, a decrease of 216 terminals from the 360 terminals provided to customers in Q3 2015. The decrease in Hubbed revenues is attributable to a decrease in the monthly account fees charged. The gift cards increase is primarily attributable to new card activity by our existing customers in Q3 2016.

The decrease in Other revenue of A$19,014 is primarily attributed to a decrease in the volume of foreign exchange transactions done by our customers.

Cost of Revenue; Gross Profit

Cost of revenue from operations, which is composed principally of the interest, fees and insurance we pay related to funds borrowed and the amortization expense of capitalized research and development costs was A$1,316,593 in Q3 2016, an increase of A$299,813 or 29% from our cost of revenue of A$1,016,780 in Q3 2015. Cost of revenue increased 29% primarily as a result of increases in Confirmed Capital and Credit Express costs of 59% or A$348,743 and an increase of 6% or A$11,972 in depreciation and amortization costs, partially offset by a decrease in Payment Services costs of 24% or A$52,907 and a decrease in other costs of A$7,995.

The increase in Confirmed Capital and Credit Express costs of A$348,743 is mainly attributable to an increase of 72% or A$328 804 in interest expense. Increases in the costs associated with new accounts of 13% or A$5,806, insurance costs of 7% or A$5,847 and Other fees of 1,459% or A$8,286 account for the remainder. Our interest expense increased quarter over quarter as the volume of credit lines funded increased and our cost of funding increased as a result of the issue of the Subordinated Notes.

The Payment Services cost decrease of A$52,907 is primarily attributable to a decrease in the number of new terminals deployed to Mpos customers. The decrease in costs attributed to this decrease in terminals is A$101,650. This is offset by an increase in transaction costs of A$76,634 as new terminals are used more actively than old terminals. Slight increases in Hubbed costs of A$6,818 and Gift cards costs of A$8,438 accounted for the remainder.

Our gross profit from operations, decreased A$87,752 from A$421,050 in Q3 2015 to A$333,298 in Q3 2016. This was primarily attributable to interest and fee revenue increases at Confirmed Capital and Credit Express being more than offset by the increases in our interest expenses and decreases in the volume of foreign exchange transactions done by our customers as described above.

Year to date fiscal 2016 v year to date fiscal 2015

Set forth below are certain items from our operating statements in our presentation currency, United Stated Dollars ("US$"), for the nine months ended March 31, 2016 and 2015:

	For the three months ended March 31		$ Increase (Decrease)	% Increase (Decrease)
	2016	2015		
	USD	USD	USD	
Revenue	$ 3,743,294	$ 3,424,264	$ 319,030	9%
Confirmed capital and credit express	3,153,666	2,895,014	258,652	9%
Interest revenue	1,800,220	1,804,146	(3,926)	(0)%
Fees	1,334,297	1,085,990	248,307	23%
Other revenue	19,149	4,878	14,271	293%
Payment services	531,343	455,211	76,132	17%
Terminal sales and transactions	388,006	288,489	99,517	34%
Hubbed	92,901	111,134	(18,233)	(16)%
Giftcard program revenue	50,436	55,588	(5,152)	(9)%
Other revenue	58,285	74,039	(15,754)	(21)%
360FX customer referral	56,172	72,812	(16,640)	(23)%
Foreign exchange	1,774	958	816	85%
Other revenue	339	269	70	26%
Cost of revenue	2,722,413	2,306,423	415,990	18%
Confirmed capital and credit express	1,977,599	1,556,791	420,808	27%
Interest expense	1,672,714	1,231,472	441,242	36%
Account Issuing Expenses	141,103	141,150	(47)	(0)%
Insurance	126,480	168,216	(41,736)	(25)%
Other	37,302	15,953	21,349	134%
Payment services	280,104	229,204	50,900	22%
Terminal sales and transactions	253,006	201,876	51,130	25%
Hubbed	13,984	12,831	1,153	9%
Gift card expenses	13,114	14,497	(1,383)	(10)%
Depreciation and amortization	461,303	513,242	(51,939)	(10)%
Other cost of revenue	3,407	7,186	(3,779)	(53)%
Gross profit	1,020,881	1,117,841	(96,960)	(9)%
Operating expenses	2,772,382	2,264,415	507,967	22%
Compensation expenses	1,446,597	1,013,585	433,012	43%
Research and development expense	616,302	523,418	92,884	18%
Bad debt expenses	93,678	71,432	22,246	31%
Bad debts recovered	-	(144,357)	144,357	(100)%
Professional expenses	197,846	220,097	(22,251)	(10)%
Occupancy expenses	179,260	168,353	10,907	6%
Depreciation expense	23,345	47,469	(24,124)	(51)%
General and administration expenses	215,354	364,418	(149,064)	(41)%
Loss from operations	(1,751,501)	(1,146,574)	(604,927)	53%
Other income	604,657	500,556	104,101	21%
Loss before income tax	(1,146,844)	(646,018)	(500,826)	78%
Income tax expense	92,583	117,527	(24,944)	(21)%
Net Loss	(1,239,427)	(763,545)	(475,882)	62%
Other comprehensive loss				
Foreign currency translation	(46,104)	(1,285,719)	1,239,615	(96)%
Comprehensive loss	$ (1,285,531)	$ (2,049,264)	$ 763,733	(37)%

Revenue

Consolidated revenue from operations in the nine months ended March 31, 2016 was approximately $3,743,294, an increase of $319,030 or 9% from our consolidated revenue from operations in the nine months ended March 31, 2015 of $3,424,264. Revenue increased primarily as a result of a $258,652 or 9% increase in Confirmed Capital and Credit Express revenues and an increase in Payment services revenues of $76,132 or 17% partially offset by a decrease in Other revenue of $15,754 or 21%.

The increase in Confirmed Capital and Credit Express revenues was attributable to an increase of $248,307 or 23% in Fees, an increase in Other revenues of $14,271 or 293% and a decrease of $3,926 or 0% in interest revenues. The increase in fees is primarily attributable to an increase of $105,562 in account application fees as we aggressively expanded our customer base, an increase of $38,141 in merchant service fees as new customers utilized their facilities, an increase of $63,497 in transaction fees related to the set-up of an account management structure for a large corporate client and approximately $88,482 in dishonor fees as two customers entered administration during the nine months ended March 31, 2016. The slight decrease in interest revenues was attributable to the deterioration in foreign exchange rates resulting in decreases in the lines of credit we funded. The lines of credit we funded were approximately $134 million during the nine months ended March 31, 2015 and $127 million during the nine months ended March 31, 2016.

The increase in payment services revenue is primarily attributable to an increase in terminal sales and transactions revenues. During the nine months ended March 31, 2016 we sold or leased 254 new terminals to merchants using our new infrastructure. The terminal sales and transactions revenue earned from the new infrastructure amounted to $99,517. We anticipate terminal sales will continue in fiscal 2016 as a result of extending our customer base to a broader retail customer market and the marketing of our new terminals for the full fiscal year. This will result in both increased terminal and transaction revenue for Mpos and mPay. We also experienced a decrease in Hubbed revenues of $18,233 or 16% and a decrease in Gift card revenues of $5,152 or 9%. The decrease in Hubbed and Giftcard revenues is attributable to the deterioration in foreign exchange rates in fiscal 2016.

Movements in other revenue were not significant.

Cost of Revenue; Gross Profit

Cost of revenue from operations, which is composed principally of the interest, fees and insurance we pay related to funds borrowed and the amortization expense of capitalized research and development costs was $2,722,413 in the nine months ended March 31, 2016, an increase of $415,990 or 18% from our cost of revenue of $2,306,423 in the nine months ended March 31, 2015. Cost of revenue increased 18% primarily as a result of increases in Confirmed Capital and Credit Express costs of 27% or $420,808 and increases in Payment Services of 22% or $50,900 partially offset by a decrease of 10% or $51,939 in depreciation and amortization costs and a decrease in other costs of $3,779.

The increase in Confirmed Capital and Credit Express costs of $420,808 is mainly attributable to an increase of 36% or $441,242 in interest expense, a slight decrease of $47 in fees associated with new accounts costs, an increase of 134% or $21,349 in other expenses, partially offset by, a decrease in insurance costs of 25% or $41,736. Our interest expense increased for the nine months ended March 31, 2016 over the nine months ended March 31, 2015 as foreign exchange rate related decreases in the volume of credit lines funded were more than offset by increases in our cost of funding as a result of the issuance of the Subordinated Notes.

The Payment Services cost increase of $50,900 is primarily attributable to an increase in costs of the new terminals deployed to Mpos customers as well as the costs of transactions undertaken on those terminals. Transaction costs increased as new terminals are used more actively than old terminals. A slight increase in Hubbed costs of $1,153 and a slight decrease in Gift cards costs of $1,383 accounted for the remainder.

Our gross profit from operations, decreased $96,960 from $1,117,841 in the nine months ended March 31, 2015 to $1,020,881 in the nine months ended March 31, 2016. This was primarily attributable to the deterioration in the foreign exchange rate offsetting fee revenue increases at Confirmed Capital and Credit Express and an increase in new terminals deployed using our new infrastructure in Payments Services as described above.

Operating Expenses; Bad Debt Expense; Income from Operations

Apart from the costs under our RPA and Subordinated Notes, the other significant factor in determining our overall profitability is our operating expenses, in particular our bad debt expense. Our bad debt expense in the nine months ended March 31, 2016 was $93,678, representing an increase of $22,246 from bad debt expense of $71,432 in the nine months ended March 31, 2015. Bad debts recovered decreased $144,357 during the quarter and this is attributable to the isolated nature of the recovery made in the nine months ended March 31, 2015. We regularly evaluate the credit quality of our customers and this decrease is attributable to changes in the assessment of several customer balances in line with our credit and collections policy.

The percentage of delinquent balances in our portfolio was 1.50% and 2.02% as of March 31, 2016 and 2015, respectively. The percentage of delinquent balances in our portfolio averaged 1.87% and 1.81% in the nine months ended March 31, 2016 and 2015, respectively. The average collection period in our portfolio was 58 days at March 31, 2016, up from 41 days at March 31, 2015. Bad debts as a percentage of amount funded was 0.06% and 0.05% in the nine months ended March 31, 2016 and 2015, respectively.

Our total operating expenses (other than bad debt) increased by $341,364 or 15% from $2,337,340 in the nine months ended March 31, 2015 to $2,678,704 in the nine months ended March 31, 2016. This increase is primarily attributed to compensation costs ($433,012 or 43%) and research and development expense ($92,884 or 18%) and is offset by a decrease in professional expenses ($22,251 or 10%) and a decrease in general and administration expenses of ($149,064 or 41%). The compensation costs increase reflects stock ($448,000) and option ($228,807) based compensation awards amounting to $676,807 for services rendered by directors and employees. The decrease in general and administration expenses is primarily attributable to a decrease in insurance costs of $44,207 and a deterioration in foreign exchange rates.

Other Income; Provision for income taxes; net (loss) income

To date, our other expense (income) has consisted of financing costs other than those incurred under the RPA and in connection with the Subordinated Notes, offset by interest income on the cash reserves we are required to maintain under the RPA and the Subordinated Notes, and research and development grants received from the Australian government. In the nine months ended March 31, 2016 we accrued AUD 550,000 (USD $397,430) for research grants we expect to receive later this year from the Australian government.

Under the Australian grant program, we are eligible for government grants equal to 43% of the amounts spent on research and development. Grant processing and payment takes place annually and payment of the grant is not discretionary if the applicable criteria are met. The company prepares the claim and the expected payment is accrued as income when the grant criteria are met. Much of the related expense is capitalized and amortized as a part of cost of revenues, generally over the following 10 years.

Our net loss from operations before tax in the nine months ended March 31, 2016 was $1,146,844, as opposed to a net loss of $646,018 in the nine months ended March 31, 2015. As a result of $92,583 in taxes incurred in the nine months ended March 31, 2016, we incurred a net loss after tax in the nine months ended March 31, 2016 of $1,239,427, as compared to net loss after tax in the nine months ended March 31, 2015 of $763,545. No tax benefit has been recognized for the losses incurred in the United States because management believes it more likely than not that these assets will not be realized in the near future. Operations in Australia were not profitable as a result of a decrease in net interest margin, an increase in bad debts and an increase in non-cash stock based compensation.

Other comprehensive income.

Our other comprehensive income consists of gains and losses in net asset value that occur when movements in foreign exchange rates occur. These gains or losses are primarily as a result of changes in the AUD/USD exchange rate. We cannot and do not attempt to predict movements in these exchange rates. The changes in net asset value occur because our net assets and operational activity are principally in Australian Dollars. We do not hedge the foreign exchange rate exposure. If we initiate operations in the United States, the impact of foreign exchange rates on our results of operations will decrease.

The average AUD/USD exchange rates were 1 to 0.8573 and 1 to 0.7226 in the nine months ended March 31, 2015 and 2016, respectively.

The following table reflects the movements in our revenues and cost of revenues in our functional currency, Australian Dollars ("A$"), for the nine months ended March 31, 2016 and 2015.

	For the nine months ended March 31		A$ Increase	% Increase	% Revenue / Cost of revenue
	2016	2015	(Decrease)	(Decrease)	move
	AUD	AUD	AUD		
Revenue	A$ 5,180,314	A$ 3,994,242	A$ 1,186,072	30%	30%
Confirmed capital and credit express	4,364,333	3,359,793	1,004,540	30%	25%
Interest revenue	2,491,311	2,088,793	402,518	19%	10%
Fees	1,846,522	1,265,400	581,122	46%	15%
Other revenue	26,500	5,600	20,900	373%	1%
Payment services	735,321	547,497	187,824	34%	5%
Terminal sales and transactions	536,958	353,691	183,267	52%	5%
Hubbed	128,565	129,632	(1,067)	(1)%	(0)%
Giftcard program revenue	69,798	64,174	5,624	9%	0%
Other revenue	80,660	86,952	(6,292)	(7)%	(0)%
360FX customer referral	77,735	85,570	(7,835)	(9)%	(0)%
Foreign exchange	2,455	1,091	1,364	125%	0%
Other revenue	470	291	179	62%	0%
Cost of revenue	3,767,524	2,690,333	1,077,191	40%	40%
Confirmed capital and credit express	2,736,782	1,804,908	931,874	52%	35%
Interest expense	2,314,853	1,429,478	885,375	62%	33%
Account Issuing Expenses	195,272	162,171	33,101	20%	1%
Insurance	175,035	195,817	(20,782)	(11)%	(1)%
Other	51,622	17,442	34,180	196%	1%
Payment services	387,634	279,637	107,997	39%	4%
Terminal sales and transactions	350,133	248,014	102,119	41%	4%
Hubbed	19,353	14,966	4,387	29%	0%
Gift card expenses	18,148	16,657	1,491	9%	0%
Depreciation and amortization	638,393	596,783	41,610	7%	2%
Other cost of revenue	4,715	9,005	(4,290)	(48)%	(0)%
Gross profit	A$ 1,412,790	A$ 1,303,909	A$ 108,881	8%	

Revenue

Consolidated revenue from operations in the nine months ended March 31, 2016 was approximately A$5,180,314, an increase of A$1,186,072 or 30% from our consolidated revenue from operations in the nine months ended March 31, 2015 of A$3,994,242. Revenue increased primarily as a result of an A$1,004,540 or 30% increase in Confirmed Capital and Credit Express revenues and an increase in Payment services revenues of A$187,824 or 34% offset by a decrease in Other revenue of A$6,292 or 7%.

The increase in Confirmed Capital and Credit Express revenues is attributable to an increase of A$581,122 or 46% in Fees, an increase of A$402,518 or 19% in interest revenues and an increase in Other revenues of A$20,900 or 373%. The increase in fees is primarily attributable to an increase of A$155,500 in account application fees as we aggressively expanded our customer base, an increase of A$234,461 in merchant service and surcharge fees as new customers utilized their facilities, an increase of A$87,873 in transaction fees related to the set-up of an account management structure for a large corporate client and A$128,516 in dishonor fees as two customers entered administration. The increase in interest revenues was attributable to increases in the lines of credit we funded. The lines of credit we funded were approximately A$156 million during the nine months ended March 31, 2015 and A$175 million during the nine months ended March 31, 2016.

The increase in Payment Services revenues is primarily attributable to an increase in terminal sales and transactions revenues. During the nine months ended March 31, 2016 we provided 254 new terminals to merchants using our new infrastructure. The terminal sales and transactions revenue earned from the new infrastructure amounted to A$536,958. We anticipate terminal sales will continue in fiscal 2016 as a result of extending our customer base to a broader retail customer market and the marketing of our new terminals for the full fiscal year. This will result in both increased terminal and transaction revenue for Mpos and mPay. We also experienced a slight decrease in Hubbed revenues of A$1,067 or 1% and a slight increase in Gift card revenues of A$5,624 or 9%. Hubbed revenues remained stable as the absence of software development revenues of A$35,120 following completion of software development activity in fiscal 2015 was offset by increased account monthly fee revenue of A$35,353 over the nine months ended March 31, 2016. The gift cards increase is primarily attributable to new card activity by our existing customers in the nine months ended March 31, 2016.

Other revenue increased A$6,292 and this is primarily attributable to a 9% decrease in foreign exchange customer referral revenues.

Cost of Revenue; Gross Profit

Cost of revenue from operations, which is composed principally of the interest, fees and insurance we pay related to funds borrowed and the amortization expense of capitalized research and development costs was A$3,767,524 in the nine months ended March 31, 2016, an increase of A$1,077,191 or 40% from our cost of revenue of A$2,690,333 in the nine months ended March 31, 2015. Cost of revenue increased 40% primarily as a result of increases in Confirmed Capital and Credit Express costs of 52% or A$931,874, increases in Payment Services of 39% or A$107,997 and an increase of 7% or A$41,610 in depreciation and amortization costs offset by a decrease in other costs of A$4,290.

The increase in Confirmed Capital and Credit Express costs of A$931,874 is mainly attributable to an increase of 62% or A$885,375 in interest expense, an increase of 20% or A$33,101 in fees associated with new accounts costs, an increase of 196% or A$34,180 in other expenses, partially offset by, a decrease in insurance costs of 11% or A$20,782. Our interest expense increased for the nine months ended March 31, 2016 as compared to the nine months ended March 31, 2015 as the volume of credit lines funded increased and our cost of funding increased as a result of the issue of the Subordinated Notes.

The Payment Services cost increase of A$107,997 is primarily attributable to an increase in costs of the new terminals deployed to Mpos customers as well as the costs of transactions undertaken on those terminals. Transaction costs increased as new terminals are used more actively than old terminals. Slight increases in Hubbed costs of A$4,387 and Gift cards costs of A$1,491 accounted for the remainder.

Our gross profit from operations, increased A$108,881 from A$1,303,909 in the nine months ended March 31, 2015 to A$1,412,790 in the nine months ended March 31, 2016. This was primarily attributable to fee revenue increases at Confirmed Capital and Credit Express and an increase in new terminals deployed using our new infrastructure in Payments Services as described above.

Comparison of Balance Sheet Data as at March 31, 2016 and June 30, 2015

Set forth below are certain items from our Consolidated Balance Sheet at March 31, 2016 and June 30, 2015:

	March 31 2016	June 30 2015
Cash and cash equivalents	$ 7,866,380	$ 8,075,078
Trade receivables, net	$ 25,747,607	$ 19,651,268
Total Assets	$ 39,204,996	$ 33,362,460
Wholesale Loan Facility	$ 11,769,992	$ 6,052,789
Subordinated notes, net	$ 18,530,839	$ 18,471,471
Total Liabilities	$ 35,386,080	$ 28,934,821
Total Stockholder's Equity	$ 3,818,916	$ 4,427,639

Trade receivables, net has increased as new customers have utilized their facilities.

The increase in the Wholesale Loan facility reflects increased customer lending.

Liquidity and Capital Resources

Our ability to offer asset backed credit lines is determined by the amount of funds we can borrow which is influenced by the amount of our capital. We require a significant amount of liquidity to offer our asset backed credit lines and our rate of growth and profitability will, for the foreseeable future, largely be determined by our ability to raise equity or borrow funds to make available to our clients and the effective cost of such funds.

Credit Facilities

Receivable Purchase Agreement

In 2005 we entered into a Receivables Purchase Agreement (the “Wholesale Facility” or the “RPA”) with one of the “Big Four” Australian Banks which has been renewed annually each year thereafter. Pursuant to this Agreement we electronically offer eligible receivables to our lender for purchase on a nightly basis. These offerings are then settled by the lender on a daily basis. The funds we receive upon settlement are automatically and electronically delivered to our customers. Our gross profit is represented by the difference between what we charge our customers in interest, finance charges and fees and what we pay to our lender. Our borrowing limit under the RPA is AUD$50 million, subject to interim agreed upon limits determined by various tests and covenants. As at March 31, 2016 our borrowing capacity was limited to AUD $25 million and the total amount drawn against the facility was $11,769,992. The agreement is renewed annually on an agreed anniversary date, the latest of which was March 31, 2016. The facility has been renewed until December 31, 2016.

We pay an interest rate on all borrowed monies under the RPA which is directly linked to the Reserve Bank of Australia cash-rate, a utilization fee charged on monies available to be borrowed but not utilized, an annual line fee and fees for electronically accessing the facility. The Facility contains a number of covenants relating to our financial performance and performance of our receivables portfolio including but not limited to net profit targets, maximum dilution ratios, concentration limits, maximum delinquency ratios and cash reserve requirements. As of the date hereof we are in compliance with all covenants imposed by the RPA.

We, in turn, provide our customers with funds provided by the RPA. We charge each of our clients interest at a rate above that charged by our lender and seek to have our clients pay a fee corresponding to each of the fees charged to us in respect of their loans. To the extent that the RPA requires that we deposit monies into an account to partially secure repayment of our loans, we seek to have those funds advanced by our customers as a condition of their credit lines. The cash reserve we are required to maintain pursuant to the RPA is included under Cash and cash equivalents on our balance sheet.

Subordinated Notes

In April 2015 we issued AUD $25 million of subordinated notes. The notes mature in 7 years and have similar conditions, including financial covenants and restrictions as to use of proceeds, to the wholesale facility and are subordinate to that facility. The costs of the Subordinated Note issuance were AUD $998,533 and the proceeds to the company were AUD $24,001,467. The Subordinated Notes bear interest at a rate of 4.65% per annum above the Australian BBSW rate. The BBSW rate as of the date of settlement, April 10, 2015, was 2.26% per annum. The Notes can be redeemed early at increased cost to the Company or at the request of the holder in the event of a change in control.

In conjunction with the note issuance, the RPA interim agreed upon facility limit was decreased from AUD $40 million to AUD $25 million as of April 16, 2015 in an effort to reduce our unused facility fees.

Comparison of the Statement of Cash Flows for the nine months ended March 31, 2016 and 2015

Set forth below are certain items from our Statement of Cash Flows for the nine months ended March 31, 2016 and 2015:

	For the nine months ended March 31	
	2016	2015
Net cash (used in) operating activities	$ (5,939,249)	$ (1,944,012)
Net cash (used in) investing activities	(279,530)	(468,710)
Net cash provided by (used in) financing activities	6,044,659	(1,669,928)
Effect of exchange rate changes on cash and cash equivalents	(34,578)	(1,587,348)
Net cash (outflow) inflow	$ (208,698)	$ (5,669,998)

Net cash (used in) operating activities

During the nine months ended March 31, 2016, we used approximately $5,939,249 of cash in our operating activities. This reflects our net loss from operations of $1,239,427 plus $4,699,822 used by changes in operating assets and liabilities and adjustments for non-cash items, principally the increase in our trade receivables of $5,808,725. The increase in trade receivables is due to an increase in new customer funding. Adjustments for non-cash items consisted of depreciation and amortization in the amount of $484,647, subordinated notes costs amortization of $108,231, stock options and shares issued for compensation of $676,807 and gain on equity method investment of $54,082.

During the nine months ended March 31, 2015, we generated approximately $1,944,012 of cash in our operating activities. This reflects our net loss from operations of $763,545 plus $1,180,467 provided by changes in operating assets and liabilities and adjustments for non-cash items. Cash provided by working capital items was primarily impacted by a decrease in trade receivables of $1,840,830 and decreases in trade payables of $3,447,850 due to a decrease in cash received on customer accounts that was not related to amounts funded by the Company. Adjustments for non-cash items consisted of depreciation and amortization in the amount of $559,091, stock options issued for compensation of $113,607 and gain in equity method investment of $12,380.

Net cash (used in) investing activities

During the nine months ended March 31, 2016, net cash used in investing activities of $279,530 was primarily impacted by $267,449 in capitalized costs incurred on the development of intangible assets, principally software related to The Moneytech Exchange and mPay.

During the nine months ended March 31, 2015, net cash used in investing activities of $468,710 was primarily impacted by $421,991 in capitalized costs incurred on the development of intangible assets, principally software related to The Moneytech Exchange and mPay.

Net cash provided by (used in) financing activities

During the nine months ended March 31, 2016, net cash provided by financing activities of $6,044,659 primarily reflects an increase in our borrowings under the Wholesale Loan Facility of $5,412,498. Additions to our capital reserve accounts by our customers of $632,161 account for the difference.

During the nine months ended March 31, 2015, net cash used in financing activities of $1,669,928 primarily reflects a decrease in our borrowings under the Wholesale Loan Facility of $2,200,295, additions to our capital reserve accounts by our customers of $530,367 accounts for the difference.

Net cash inflow

During the nine months ended March 31, 2016 net cash decreased by $208,698 as compared to the nine months ended March 31, 2015, where net cash decreased by $5,669,998.

Insurance

As a condition of the RPA and Subordinated Notes, the receivables due Moneytech from its customers or their counterparties are insured pursuant to a policy issued by Euler Hermes, a Standard & Poor's rated trade credit insurance provider. Pursuant to this policy, Moneytech would bear the first $500,000 of losses incurred in any calendar year, after which any bad debt losses are borne by Euler Hermes. This policy is renewed annually.

The following tables show the amount of claims submitted to Euler Hermes in fiscal year 2015 and 2016, to date, and in claim years 2014 and 2015 (each claim year ends on December 31) for reimbursement, the amounts recognized or denied, the payments received to date and amounts remaining to be paid.

	Fiscal year Jun 30, 2015	Fiscal year Jun 30, 2016
	AUD	AUD
Opening balance	$ 34,061	$ -
Claims recognised	-	-
Claims paid	(34,061)	-
Claims denied	-	-
Closing balance	$ -	$ -

	Claim year 2014	Claim year 2015
	AUD	AUD
Claims submitted		
Policy excess	No claim submitted as credit losses do not exceed the policy excess of $500,000	
Claims denied		
Claims paid		
Claims in progress	$ -	$ -
Progression toward the deductible	$ 348,230	$ 264,429

1. Claim years run January 1 to December 31 each year.
2. Claims are not submitted until the policy excess is reached.

Commitments for Capital Expenditures

We do not have any commitments for capital expenditures.

The design and technical development of The Moneytech Exchange is completed and it is operational. Although we will continue to upgrade and add functionality to The Moneytech Exchange we will need to add additional personnel 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 portfolio and increase the number of services we offer, the rate of growth in the lines of credit we service and in our revenues will exceed the rate of growth in our operating expenses. There are a number of reasons for this, the most significant being that most of the expense involved with any debtor/obligor is incurred when the relationship is established. In the absence of a default or other triggering event, so long as a debtor/obligor is online, it generates revenue for us with little impact on our operating expenses.

In addition to the upgrade and addition of functionality to The Moneytech Exchange, we will also incur expenditure on research and development of our payments services platform and functionality.

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

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our estimates, including those related to bad debts, recovery of long-lived assets, income taxes, and the impact of changes in currency exchange rates. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Any future changes to these estimates and assumptions could cause a material change to our reported amounts of revenues, expenses, assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. While our significant accounting policies are described in Note 3 to our consolidated financial statements, we believe the following accounting policies are the most critical to aid you in fully understanding and evaluating our financial statements and our management's discussion and analysis.

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 and recoverability of long-term assets.

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.

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.

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, most of which are in Australia. 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.

Cost of Revenue

Cost of revenue includes; programs licensed; operating costs including costs of funds and related product support service centers to drive traffic to our websites, costs incurred to support and maintain products and services, including inventory valuation adjustments; costs associated with the delivery of consulting services; and the amortization of capitalized intangible software costs. Capitalized intangible software costs are amortized over the estimated lives of the products.

Exchange (Loss) Gain

During the three months and nine months ended March 31, 2016 and 2014, the transactions of Moneytech and its wholly owned subsidiaries 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 (Loss) Income

The accounts of Moneytech and its wholly owned subsidiaries 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, stockholders' 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 consolidated statements of operations. The resulting translation adjustments are reported under other comprehensive income as a component of shareholders' equity.

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

Our disclosure controls and procedures are designed to ensure that information required to be disclosed in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the United States Securities and Exchange Commission. Our Chief Executive Officer and Chief Financial Officer have reviewed the effectiveness of our “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f) as of the end of the period covered by this report and have concluded that the disclosure controls and procedures are effective.

b) Changes in Internal Control over Financial Reporting

There have been no changes in the Company’s internal control over financial reporting during the last 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 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 for fiscal year ended June 30, 2015 filed on September 17, 2015 which are incorporated by reference into this report.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed herewith:

Exhibit Number	Document
31.1	Certifications 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.
31.2	Certifications 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 pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

SOURCE FINANCIAL, INC.

May 12, 2016	By:	/s/ Hugh Evans
		Hugh Evans Chief Executive Officer (Principal Executive Officer)
May 12, 2016	By:	/s/ Brian M. Pullar
		Brian M. Pullar Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

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

I, Hugh Evans, President and Chief Executive Officer of Source Financial, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: May 12, 2016

/s/ Hugh Evans

Hugh Evans
President and Chief Executive Officer

Exhibit 31.2

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

I, Brian M. Pullar, Chief Financial Officer of Source Financial, 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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of 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: May 12, 2016

/s/ Brian M. Pullar

Brian M. Pullar
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE 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 Source Financial, Inc., a Delaware corporation (the "Company"), on Form 10-Q for the quarter ended December 31, 2015, as filed with the Securities and Exchange Commission (the "Report"), Hugh Evans, Chief Executive 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: May 12, 2016

/s/ Hugh Eva n s
H ugh Eva n s
President and Chief Executive Officer
(principal 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.

Exhibit 32.2

CERTIFICATION OF 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 December 31, 2015, as filed with the Securities and Exchange Commission (the "Report"), Brian M. Pullar, 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.

Dated: May 12, 2016

/s/ Brian M. Pullar

Brian M. Pullar
Chief Financial Officer
(principal 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.