

BANXA HOLDINGS INC

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED

31 MARCH 2022 AND 2021

(EXPRESSED IN AUSTRALIAN DOLLARS)

(UNAUDITED)

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Banxa Holdings Inc

Condensed Interim Consolidated Statement of Financial Position

As at 31 Mar 2022 and 30 Jun 2021

(Expressed in Australian Dollars)

(Unaudited)

| As at | Notes | 31 Mar 2022 | 30 Jun 2021 (audited) |
|--------------------------------------|-------|-------------------|--------------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash | | 10,820,548 | 18,615,803 |
| Trade and other receivables | 5 | 2,710,559 | 1,849,294 |
| Inventories | | 452,766 | 45,311 |
| Prepayments | | 418,916 | 292,902 |
| Deposits | 6 | 4,979,596 | 3,653,138 |
| Total current assets | | 19,382,385 | 24,456,448 |
| Right-of-use assets | 7 | 1,239,417 | - |
| Intangible assets | | 151,643 | 151,643 |
| Deferred tax asset | | 986,579 | - |
| Equipment | | 162,190 | 35,244 |
| Other deposits - bank guarantees | | 252,758 | 252,758 |
| Total non-current assets | | 2,792,587 | 439,645 |
| Total assets | | 22,174,972 | 24,896,093 |
| EQUITY AND LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 8 | 3,831,191 | 3,815,872 |
| Borrowings | 9 | 1,965 | 444,869 |
| Income tax provision | | 886,721 | 255,431 |
| Employee benefits | | 667,273 | 289,855 |
| Derivative liability | 10 | - | 1,127,457 |
| Lease liability | 11 | 346,943 | - |
| Unissued shares | | 12,140 | - |
| Total current liabilities | | 5,746,233 | 5,933,484 |
| Lease liability | 11 | 915,701 | - |
| Employee benefits | | 48,237 | 28,889 |
| Total non-current liabilities | | 963,938 | 28,889 |
| Total liabilities | | 6,710,171 | 5,962,373 |
| Equity | | | |
| Share capital | 12 | 23,344,209 | 20,913,753 |
| Contributed surplus | | 11,107,269 | 8,695,175 |
| Foreign currency translation reserve | | 625,652 | 511,245 |
| Accumulated losses | | (19,612,329) | (11,186,453) |
| Total equity | | 15,464,801 | 18,933,720 |
| Total equity and liabilities | | 22,174,972 | 24,896,093 |

Nature of operations (note 1) Subsequent events (note 22)

Approved and authorized for issuance by the Board of Directors of Banxa Holdings Inc on 30 May 2022.

(Signed) " D. Carosa "
Chairman

(Signed) " J. Landau "
Non-executive director

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Banxa Holdings Inc

Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income For the nine-month period ended 31 Mar 2022 and 31 Mar 2021 (Expressed in Australian Dollars) (Unaudited)

| | Notes | Three months ended 31 Mar 2022 \$ | Three months ended 31 Mar 2021 \$ | Nine months ended 31 Mar 2022 \$ | Nine months ended 31 Mar 2021 \$ |
|--|-------|---|---|--|--|
| REVENUE | | | | | |
| Revenue | 15 | 16,487,557 | 21,014,937 | 56,528,331 | 28,414,218 |
| Cost of sales and services | | (9,924,626) | (14,964,362) | (34,259,479) | (20,207,677) |
| Gross profit | | 6,562,931 | 6,050,575 | 22,268,852 | 8,206,541 |
| Operating expenses | | | | | |
| Salary expense | 20 | (6,358,035) | (1,816,034) | (15,617,719) | (3,767,449) |
| Amortization and depreciation | | (117,452) | (9,243) | (313,022) | (25,418) |
| Share based compensation | | (677,490) | (1,117,860) | (2,412,094) | (1,218,501) |
| General, administration and other | 20 | (2,068,669) | (3,091,475) | (7,424,681) | (4,621,621) |
| Total operating expenses | | (9,221,646) | (6,034,612) | (25,767,516) | (9,632,989) |
| Income / (loss) from operations before other items and income taxes | | (2,658,715) | 15,963 | (3,498,664) | (1,426,448) |
| Other items | | | | | |
| Realised gain / (loss) on FV of deposits | | (4,865) | 380,364 | 1,250,135 | 2,744,986 |
| Other income | | 448 | 415,510 | 234,358 | 672,436 |
| Foreign exchange gains/ (losses) | | (2,243,654) | (584,211) | (6,082,314) | 200,823 |
| Gain / (loss) on fair value of derivative liability | 10 | 48 | - | (136,818) | - |
| Finance expense | | (27,306) | (399,123) | (278,710) | (580,826) |
| Listing expense | 4 | - | - | - | (2,690,513) |
| Total other items | | (2,275,329) | (187,460) | (5,013,349) | 346,906 |
| Loss before tax | | (4,934,044) | (171,497) | (8,512,013) | (1,079,542) |
| Income tax (expense)/benefit | 21 | (251,926) | (1,200,000) | 86,137 | (1,200,000) |
| Net loss for the period | | (5,185,970) | (1,371,497) | (8,425,876) | (2,279,542) |
| Other comprehensive income/ (loss) | | | | | |
| <i>Items that may be reclassified to profit or loss</i> | | | | | |
| Foreign currency translation | | 17,271 | (366,841) | 114,407 | (410,710) |
| Total other comprehensive income/ (loss) | | 17,271 | (366,841) | 114,407 | (410,710) |
| Total comprehensive loss for the period | | (5,168,699) | (1,738,338) | (8,311,469) | (2,690,252) |
| Income/ (loss) per share | | | | | |
| Basic and Diluted | 16 | (0.11) | (0.03) | (0.19) | (0.06) |

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Banxa Holdings Inc

Condensed Interim Consolidated Statement of Changes in Equity For the nine-month period ended 31 Mar 2022 and 31 Mar 2021 (Expressed in Australian Dollars) (Unaudited)

| | Number of common shares | Share capital | Foreign currency translation reserve | Contributed surplus | Accumulated losses | Total equity |
|--|----------------------------|-------------------|---|---------------------|--------------------|------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balances, 30 Jun 2020 | 19,066 | 6,523,314 | 54,386 | 6,848 | (5,358,337) | 1,226,211 |
| Other comprehensive income/ (loss) | - | - | (410,710) | - | - | (410,710) |
| Loss for the period | - | - | - | - | (2,279,542) | (2,279,542) |
| Total comprehensive loss for the period | - | - | (410,710) | - | (2,279,542) | (2,690,252) |
| <i>Transactions with owners in their capacity of owners:</i> | | | | | | |
| <u>Pre-RTO shares issued for:</u> | | | | | | |
| Private placement | 334 | 517,700 | - | - | - | 517,700 |
| Acquisition consideration | 55 | 100,375 | - | - | - | 100,375 |
| Subscription receipts | 2,316 | 4,226,700 | - | - | - | 4,226,700 |
| Conversion of prepaid shares | 274 | - | - | - | - | - |
| <u>Recapitalization transaction:</u> | | | | | | |
| Total BTC shares originally issued | (22,045) | - | - | - | - | - |
| Issuance of resulting issuer shares | 38,314,204 | - | - | - | - | - |
| Reverse takeover ("RTO") issuance | 1,200,000 | 1,220,160 | - | - | - | 1,220,160 |
| Stock options issued pursuant to RTO | - | - | - | 108,914 | - | 108,914 |
| Shares issued to advisors | 1,196,500 | 1,216,601 | - | - | - | 1,216,601 |
| Warrants issued to advisors (note 14) | - | (50,728) | - | 50,728 | - | - |
| <u>Other:</u> | | | | | | |
| Share-based compensation | - | - | - | 1,200,733 | - | 1,200,733 |
| Share issuance costs | - | (893,281) | - | - | - | (893,281) |
| Share-based finance charge | - | - | - | 178,585 | - | 178,585 |
| Exercise of ESOP options | 48,000 | 22,893 | - | - | - | 22,893 |
| Exercise of warrants | 17,467 | 18,496 | - | - | - | 18,496 |
| Balances, 31 Mar 2021 | 40,776,171 | 12,902,230 | (356,324) | 1,545,808 | (7,637,879) | 6,453,835 |

Banxa Holdings Inc

Condensed Interim Consolidated Statement of Changes in Equity For the nine-month period ended 31 Mar 2022 and 31 Mar 2021 (Expressed in Australian Dollars) (Unaudited)

| | Number of common shares | Share capital | Foreign currency translation reserve | Contributed surplus | Accumulated losses | Total equity |
|--|----------------------------|-------------------|---|---------------------|---------------------|-------------------|
| | | \$ | \$ | \$ | \$ | \$ |
| Balances, 30 Jun 2021 | 44,744,034 | 20,913,753 | 511,245 | 8,695,175 | (11,186,453) | 18,933,720 |
| Other comprehensive income | - | - | 114,407 | - | - | 114,407 |
| Loss for the period | - | - | - | - | (8,425,876) | (8,425,876) |
| Total comprehensive income / (loss) for the period | - | - | 114,407 | - | (8,425,876) | (8,311,469) |
| <i>Transactions with owners in their capacity of owners:</i> | | | | | | |
| Share-based compensation | - | - | - | 2,412,094 | - | 2,412,094 |
| Shares issued on conversion of note | 492,941 | 1,634,258 | - | - | - | 1,634,258 |
| Shares issued for services (note 12) | 70,000 | 223,018 | - | - | - | 223,018 |
| Exercise of ESOP options | 78,250 | 77,752 | - | - | - | 77,752 |
| Exercise of warrants | 164,706 | 290,286 | - | - | - | 290,286 |
| Impact of deferred tax recognition on capital raising costs | - | 205,142 | - | - | - | 205,142 |
| Balances, 31 Mar 2022 | 45,549,931 | 23,344,209 | 625,652 | 11,107,269 | (19,612,329) | 15,464,801 |

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Banxa Holdings Inc

Condensed Interim Consolidated Statement of Cash Flows For the nine-month period ended 31 March 2022 and 31 March 2021 (Expressed in Australian Dollars) (Unaudited)

| | Notes | Nine months ended 31 Mar 2022 | Nine months ended 31 Mar 2021 |
|--|-------|----------------------------------|----------------------------------|
| | | \$ | \$ |
| OPERATING ACTIVITIES | | | |
| Loss for the period | | (8,425,874) | (2,279,542) |
| Adjustment for: | | - | - |
| Amortization and depreciation | | 313,022 | 25,418 |
| Share-based compensation | | 2,412,094 | 1,218,501 |
| Share-based finance charges | | - | 178,585 |
| Revaluation of derivative liability | | 136,818 | - |
| Shares issued for services, net of gain on accounts payable settlement | | 223,017 | - |
| TSX Listing Cost | | - | 2,690,513 |
| Unrealized foreign exchange loss / (gain) | | - | - |
| Income tax payments | | (86,137) | - |
| Changes in operating working capital: | | - | - |
| Decrease / (increase) in trade debtors | | (861,265) | (785,534) |
| Decrease / (increase) in inventory | | (407,455) | (491,570) |
| Decrease / (increase) in other | | 328,889 | 1,333,292 |
| Decrease / (increase) in prepaid expenses | | (126,014) | (938,793) |
| Decrease / (increase) in deposits | | (1,326,458) | (6,663,204) |
| Increase / (decrease) in income tax payable | | 631,290 | 1,103,112 |
| Increase in deferred tax assets | | (986,579) | - |
| Increase / (decrease) in trade and other payables | | 412,085 | 2,582,388 |
| Cash used in operating activities | | (7,762,567) | (2,026,834) |
| INVESTING ACTIVITIES | | | |
| Intangible assets | | - | - |
| Payment for acquisitions net of cash acquired | | - | 111,047 |
| Payment of deferred consideration | | - | (399,625) |
| Payment for equipment | | (128,401) | (29,236) |
| Net advances to director-related entity pre-acquisition | | - | (82,254) |
| Cash used in investing activities | | (128,401) | (400,068) |
| FINANCING ACTIVITIES | | | |
| Proceeds from issuance of common shares (net of costs) | | 377,440 | 3,725,932 |
| Increase / (repayment) of credit card borrowings | | (72,969) | 26,222 |
| Proceeds from unissued shares | | - | 4,457,075 |
| Proceeds / (repayment) of loan from related party | | (1,880) | (60,000) |
| Proceeds from unsecured borrowings | | - | 2,000,000 |
| Repayment of lease liabilities | | (228,261) | - |
| Cash provided by financing activities | | 74,330 | 10,149,229 |
| Increase / (decrease) in cash | | (7,816,638) | 7,722,327 |
| Cash, beginning of period | | 18,615,803 | 2,067,304 |
| Impact of foreign currency exchange on cash balances | | 21,383 | - |
| Cash, end of period | | 10,820,548 | 9,789,631 |

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

Banxa Holdings Inc

Notes to Condensed Interim Consolidated Financial Statements As at 31 Mar 2022 and 30 Jun 2021 (Expressed in Australian Dollars) (Unaudited)

1. Nature of operations

Banxa Holdings Inc. ("the Company" or "ALBS"), incorporated as A-Labs Capital I Corp, a Canada Business Corporation, was formed on 6 March 2018. The Company's shares are traded on the TSX Venture Exchange as a Tier 2 Technology company under the trading symbol "BNXA".

BTC Corporation Holdings Pty Ltd ("BTC") was incorporated on 27 March 2014 in Australia under the Corporations Act 2001. On 23 December 2020 BTC's shareholders acquired control of ALBS through a reverse acquisition transaction. ALBS issued additional shares which were exchanged with 100% of the shares of BTC. Following this transaction, BTC and its subsidiaries (the "Consolidated Entity") are deemed to be a continuation of BTC's operations. Concurrent with the closing of the acquisition on 23 December 2020, the Company changed its name to Banxa Holdings Inc. and effected a change in directors, management and business.

The Consolidated Entity's principal business activity is being a payment service provider to global cryptocurrency exchanges.

The head office is located in Melbourne, Australia at level 2, 2-6 Gwynne Street, Cremorne, Victoria, 3121. The registered office of the Company is located at 595 Howe St 10th floor, Vancouver, British Columbia, Canada V6C 2T5.

2. Liquidity and financial condition

These consolidated financial statements have been prepared on a going concern basis, which presumes realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Consolidated Entity incurred a loss of \$8,425,876 and had net cash outflows from operating activities of \$7,762,569 for the nine months ended 31 March 2022.

The above detailed events and conditions give rise to the existence of a material uncertainty that may cast significant doubt on the ability of the Consolidated Entity to continue as a going concern and therefore whether it will realise assets and discharge liabilities in the normal course of business and at the amounts shown in the financial report.

The Directors have considered the net current asset position of the Consolidated Entity as at 31 March 2022 which amounts to \$19,382,385 (including cash of \$10,820,548 and deposits with exchanges including fiat held at exchanges or custodians of \$4,979,596 which are at call and reviewed the cashflow forecast for a period in excess of 12 months from the signing of this financial report, and believe the Consolidated Entity has the ability to meet its debts as and when they fall due. The cashflow forecast assumes that the level of volume of cryptocurrency transactions traded by the Company's global partners will continue to increase, driven by continued increases in the global partner network and continued usage of the Banxa payment infrastructure by the global partner network, irrespective of day-to-day movements in the prices of specific crypto currencies. Should the actual level of partner trade volumes not be achieved, and the Directors assess necessary, the Consolidated Entity has the ability to both raise further capital and/or debt instruments.

Accordingly, the Directors believe the Consolidated Entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report. The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

Banxa Holdings Inc

Notes to Condensed Interim Consolidated Financial Statements As at 31 Mar 2022 and 30 Jun 2021 (Expressed in Australian Dollars) (Unaudited)

3. Significant accounting policies

Statement of compliance

The Consolidated Entity applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The accounting policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of 31 March 2022. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual financial statements as at and for the year ended 30 June 2021.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are aligned with the policies adopted by the Company. The Company owns:

| Name | Country of incorporation | % Equity interest at | |
|--|--------------------------|----------------------|--------------|
| | | 31 Mar 2022 | 30 June 2021 |
| BTC Corporation Holdings Pty Ltd | Australia | 100.00% | 100.00% |
| BC Cloud Mining Pty Ltd | Australia | 100.00% | 100.00% |
| Global Internet Ventures Pty Ltd | Australia | 100.00% | 100.00% |
| Global Internet Ventures Limited (UK) | United Kingdom | 100.00% | 100.00% |
| Richmond Internet Ventures Corporation | Canada | 100.00% | 100.00% |
| Internet SG Ventures Pte Ltd | Singapore | 100.00% | 100.00% |
| Banxa.com Pty Ltd | Australia | 100.00% | 100.00% |
| RhinoLoft Pty Ltd | Australia | 100.00% | 100.00% |
| EU Internet Ventures B.V. | The Netherlands | 100.00% | 100.00% |
| BTC Sing SPV Pte Ltd | Singapore | 100.00% | 100.00% |
| LT Internet Ventures UAB | Lithuania | 100.00% | 100.00% |
| BNXA USA Holding Inc | USA | 100.00% | - |
| BNXA USA MTL | USA | 100.00% | - |
| BNXA USA Operating Inc | USA | 100.00% | - |
| BNXA UK VASP Limited | United Kingdom | 100.00% | - |
| BNXA Brazil LTDA | Brazil | 100.00% | - |
| BNXA USA NV Inc | USA | 100.00% | - |
| BNXA Teknoloji Anonim Sirketi | Turkey | 100.00% | - |

Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the unaudited condensed interim consolidated financial statements.

Banxa Holdings Inc

Notes to Condensed Interim Consolidated Financial Statements As at 31 Mar 2022 and 30 Jun 2021 (Expressed in Australian Dollars) (Unaudited)

4. Reverse Takeover

On 23 December 2020, the Company completed a reverse takeover transaction ("RTO") with BTC whereby the Company acquired 100% of the issued and outstanding common shares of BTC. Pursuant to the RTO, the Company issued an aggregate of 38,314,204 common shares of the Company in exchange for all of the issued and outstanding shares of BTC. Upon closing of the transaction, the Company was renamed Banxa Holdings Inc and the ownership of the Company was as follows:

| | % |
|-------------------------------|------|
| Previous shareholders of BTC | 94.1 |
| Previous shareholders of ALBS | 3.0 |
| Shares issued to arrangers | 2.9 |

As a result, the transaction was considered a reverse acquisition of the Company by BTC. The Company changed its year end from 31 December to 30 June in order to align the fiscal year period to that of BTC.

For accounting purposes, the acquisition was considered to be outside the scope of IFRS 3 *Business Combinations* since A-Labs, prior to the RTO, did not constitute a business. The RTO was accounted for in accordance with IFRS 2 *Share-based Payments* whereby BTC was deemed to have issued shares in exchange for the net assets of A-Labs together with its TSX-V listing status at the fair value of the consideration received by BTC.

Accordingly, these accounts have been prepared as follows:

- The consolidated financial statements of the combined entities are issued under the legal parent, Banxa Holdings Inc, but are considered a continuation of the financial statements of the legal subsidiary, BTC;
- Since BTC is deemed to be the acquirer for accounting purposes, BTC's assets and liabilities are included in the consolidated financial statements at their historical carrying value; and
- The Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares. The value in excess of the net identifiable assets or obligations of A-labs acquired on closing was expensed in the condensed consolidated statement of loss as a listing transaction expense.

| | |
|--|------------------|
| The fair value of the 1,200,000 common shares issued was determined to be \$C 1.00 per share | 1,220,160 |
| The fair value of all the consideration given was as follows: | |
| • 1,200,000 common shares of the Company | 1,220,160 |
| • 162,857 options to acquire common shares of the Company | 108,914 |
| Total consideration paid | 1,329,074 |
| The listing expenses were determined as follows: | |
| • Fair value of net liabilities assumed | 144,838 |
| • Charge related to the public company listing - equity issue | 1,329,074 |
| • Arranger fees - equity issue | 1,216,601 |
| Total listing expenses for the period ending 31 March 2021 | 2,690,513 |

Banxa Holdings Inc

Notes to Condensed Interim Consolidated Financial Statements As at 31 Mar 2022 and 30 Jun 2021 (Expressed in Australian Dollars) (Unaudited)

5. Trade and other receivables

| | As at 31 Mar 2022 | As at 30 Jun 2021 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Payment gateway receivables | 3,022,233 | 2,106,798 |
| Allowance for Chargeback Expenses | (592,021) | (432,246) |
| GST receivable | 160,958 | 125,163 |
| Sundry receivable denominated in USD Tether | 117,509 | - |
| Other | 1,880 | 49,579 |
| Total | 2,710,559 | 1,849,294 |

The Allowance for Chargeback Expenses refers to a provision for potential losses for fraudulent transactions or where a customer claims a chargeback. This allowance is not a provision based on an expected credit loss model. The change in the Allowance for Chargeback Expenses is detailed below:

| | 9 months ended on 31 Mar 2022 | 12 months ended on 30 Jun 2021 |
|---|----------------------------------|-----------------------------------|
| | \$ | \$ |
| Balance at beginning of period | (432,246) | - |
| Change in allowance, other than write-offs and recoveries (Note 20) | (1,488,962) | (1,641,003) |
| Write-offs of trade receivables | 1,329,187 | 1,208,757 |
| Balance at end of period | (592,021) | (432,246) |

The expense during the financial period is presented as “chargeback expenses” within the breakdown of General, Administration, and Other expenses (refer note 20).

Banxa Holdings Inc

Notes to Condensed Interim Consolidated Financial Statements As at 31 Mar 2022 and 30 Jun 2021 (Expressed in Australian Dollars) (Unaudited)

6. Deposits

Deposits are comprised of digital currencies and fiat held at exchanges or with custodians. Management considers the fair value of deposits, other than cash, to be a Level 2 input under IFRS 13 *Fair Value Measurement* fair value hierarchy as the price on this source represents an average of quoted prices on multiple digital currency exchanges. The Company is relying on the data available to be an accurate representation of the closing price for the digital currency.

As at 31 March 2022 and 30 June 2021, digital currency and fiat held at exchanges, or with custodians, consisted of the following digital assets:

| Digital currencies and fiat held at exchanges or with custodian | As at 31 Mar 2022 | Value | As at 30 Jun 2021 | Value |
|---|----------------------|-----------|----------------------|-----------|
| | Number of coins held | | Number of coins held | |
| LTC | - | - | 19,077 | 3,308,007 |
| Link | - | - | 1615.45 | 40,509 |
| BNB | - | - | 288.48 | 111,791 |
| ETH | - | - | 1.68 | 4,768 |
| Cash deposits | N/A | 1,507,339 | N/A | 50,150 |
| Tether deposits | N/A | 3,726,515 | N/A | 147,810 |
| Total digital currencies and fiat held at exchanges or with custodian | | 5,233,854 | | 3,663,035 |
| Provision for collectability | | (254,259) | | (9,897) |
| Net deposits | | 4,979,596 | | 3,653,138 |

Deposits with trading exchanges are made to facilitate the Consolidated Entity's ability to transact more efficiently at various trading volumes. The Consolidated Entity maintains deposits in digital currencies with exchanges from time to time in connection with the sale of cryptocurrencies in the ordinary course of business. As there is no specific guidance in IFRS on cryptocurrencies held at exchanges or with custodians, the Consolidated Entity followed the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and decided, in accordance with paragraphs 8-10, to apply the broker-trader exemption under IAS 2. Accordingly, these deposits in digital currencies with exchanges are measured at fair value less cost to sell, in accordance with the accounting policy for inventories.

Other Items for the nine months ending 31 March 2022 include a realized loss on fair value re-measurement of deposits of \$261,258 (nine months ended 31 March 2021: nil).

Banxa Holdings Inc

Notes to Condensed Interim Consolidated Financial Statements As at 31 Mar 2022 and 30 Jun 2021 (Expressed in Australian Dollars) (Unaudited)

7. Right-of-use assets

The Consolidated Entity leases a building for its Melbourne office under a four-year agreement with options to extend. The lease has various escalation clauses.

Reconciliation of the written down value at the beginning and end of the current financial period are set out below:

| | As at 31 Mar 2022 \$ | As at 30 Jun 2021 \$ |
|----------------------------------|-------------------------------|-------------------------------|
| Leasehold improvements | 463,512 | - |
| Less: accumulated depreciation | (53,267) | - |
| | 410,245 | |
| Buildings – Right-of-use | 1,034,206 | - |
| Less: accumulated depreciation | (205,034) | - |
| | 829,172 | |
| Total right-of-use assets | 1,239,417 | - |

| | Buildings \$ | Leasehold Improvement \$ |
|--|-----------------|--------------------------------|
| Balance 30 Jun 2021 | - | - |
| Recognition of asset pursuant to IFRS 16 | 1,034,206 | 463,512 |
| Depreciation expense | (205,034) | (53,267) |
| Balance as at 31 Mar 2022 | 829,172 | 410,245 |

For other lease disclosures, refer to:

- note 11 for lease liabilities at the reporting date; and
- consolidated statement of cash flows for repayment of lease liabilities.

8. Trade and other payables

| | As at 31 Mar 2022 \$ | As at 30 Jun 2021 \$ |
|---------------------------------------|----------------------------|----------------------------|
| Trade payables | 767,567 | 1,273,927 |
| Other payables and accruals | 1,050,361 | 1,686,031 |
| Provision for staff bonuses | 948,557 | - |
| Accrued interest | - | 13,460 |
| Employee withholdings payable | 964,706 | 424,265 |
| Provision for legal settlements | 100,000 | 418,189 |
| Total trade and other payables | 3,831,191 | 3,815,872 |

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9. Borrowings

| | As at 31 March 2022 \$ | As at 30 June 2021 \$ |
|---------------------------------|---------------------------------|--------------------------------|
| Credit card | - | 74,934 |
| Convertible notes | 1,965 | 369,935 |
| Total current borrowings | 1,965 | 444,869 |

During the nine-month period ending 31 March 2022, Global Internet Ventures Pty Ltd ("GIV"), a Company subsidiary, entered into loan agreements with each of Apollo Capital Management Pty Ltd ("Apollo") and Carosa Corporation BV ("CCBV"), pursuant to which Apollo and CCBV agree to provide GIV with a revolving credit facility in the principal sums of up to \$4,000,000 and \$2,000,000 respectively. The revolving credit facility with Apollo accrues interest at the rate of 30% per annum and the revolving credit facility with CCBV accrues interest at the rate of 10% per annum. Both facilities are in place until 30 November 2024.

The Company is not issuing any securities, paying any bonus, commission, or finder's fees in connection with the loans and the loans are not convertible, directly or indirectly, into equity or voting securities of the Company or a subsidiary of the Company. Loans made under the agreements are unsecured and are repayable at any time without penalty. Apollo and CCBV are affiliated companies of the Company's Chairman, Domenic Carosa. Accordingly, entering into the loan agreements constitute a related party transaction, together with any interest payments made in respect of the loans (refer note 17).

In January 2022, Global Internet Ventures Pty Ltd ("GIV") entered into a loan agreement with Maple Finance Protocol Pty Ltd trading as Orthogonal Trading ("Maple Finance"), pursuant to which Maple Finance will provide GIV with an unsecured revolving credit facility in amounts specified in loan confirmation drawdowns delivered from time to time in accordance with the loan agreement. Pursuant to the first loan confirmation, Maple Finance will advance GIV the principal sum of up to USD \$5 million, denominated in USD Coin (USDC) stablecoin cryptocurrency. The credit facility with Maple Finance accrues interest at the rate of 12.25% per annum and matures 30 days from the advance date. The Company is not issuing any securities, paying any bonus, commission, or finder's fees in connection with the credit facility. The credit facility is not convertible, directly or indirectly, into equity or voting securities of the Company or a subsidiary of the Company.

10. Derivative Liability

Convertible notes were issued in June 2020. The derivative liability element of the convertible note is valued at fair value. The change in the fair value of the derivative liability balance is as follows:

| | As at 31 March 2022 \$ | As at 30 June 2021 \$ |
|--|---------------------------------|--------------------------------|
| Balance at beginning of period | 1,127,457 | 76,664 |
| Change in fair value - unrealised | (1,050,841) | 1,050,793 |
| Change in fair value - realised | 1,187,659 | |
| Net change in fair value during period | (136,818) | 1,050,793 |
| Balance before conversion | 1,264,275 | 1,127,457 |

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| | | |
|--|-------------|------------------|
| Extinguished at conversion | (1,264,275) | - |
| Derivative liability on convertible notes, balance at end of period | - | 1,127,457 |

The notes were converted on 27 July 2021 through the issue of 492,941 common shares. The market price at the time of conversion was \$C 3.07. The total equity issue was \$1,634,258, representing the convertible note balance of \$369,935 (refer note 12) and the extinguishment of the derivative liability of \$1,264,323.

11. Lease Liability

| | As at 31 Mar 2022 | As at 30 Jun 2021 |
|---------------------------------------|----------------------|----------------------|
| Lease Liability - current portion | 346,943 | - |
| Lease Liability - non-current portion | 915,701 | - |

12. Share capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

b) Common shares issued

As detailed in note 4, the Consolidated Entity reflects the effects of an RTO between BTC and ALBS on 23 December 2020. Accordingly, the balance in equity represents the continuing equity balance of BTC prior to its takeover of ALBS, together with common share transactions arising from, and subsequent to, the RTO transaction, as summarized below:

| | Number | Share Capital \$ |
|--|------------|---------------------|
| Balance, 30 June 2020 | 19,066 | 6,523,314 |
| Capital raised during the period by BTC | N/A | 4,744,400 |
| Shares issued by BTC in respect of acquisition payment | 55 | 100,375 |
| Share issues included in listing expense | N/A | 2,436,761 |
| Share issue costs | N/A | (944,009) |
| ESOP options exercised | 48,000 | 22,893 |
| Warrants exercised | 17,467 | 18,496 |
| Balance, 31 Mar 2021 | 84,588 | 12,902,230 |
| Balance, 30 June 2021 | 44,744,034 | 20,913,753 |
| Shares issued on conversion of note | 492,941 | 1,634,258 |
| Exercise of ESOP options | 79,573 | 77,752 |
| Exercise of warrants | 164,706 | 290,286 |
| Shares issued on services * | 35,000 | 93,374 |
| Shares issued on services ** | 35,000 | 129,644 |
| Deferred tax impact of capital raising costs | - | 205,142 |
| Balance, 31 Mar 2022 | 45,551,254 | 23,344,209 |

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*The Company entered into a supply agreement for the provision of services totalling \$C 140,000 and agreed to issue 35,000 common shares at \$C 4.00 in payment. At the time of issue, each share had a market value of \$C 2.45. Accordingly, the equity transaction was valued at \$93,374 and the resulting \$59,073 gain on settlement of the payable was credited to other income.

**Pursuant to the same supply agreement, the Company incurred a further liability for provision of services totalling \$C 140,000 and agreed to issue 35,000 common shares at \$C 4.00 in payment. At the time of issue, each share had a market value of \$C 3.40. Accordingly, the equity transaction was valued at \$129,644 and the resulting \$22,878 gain on settlement of the payable was credited to other income.

13. Stock options

The Company has adopted a share option plan whereby it is authorized to grant options to executive officers and directors, employees and/or consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. As at 31 March 2022, the aggregate maximum number of common shares issuable under the plan is 4,544,993 common shares.

The exercise price of any options granted under the plan will be determined by the Board of Directors, at its sole discretion, but shall not be less than the last closing price of the Company's common shares on the day before the date on which the Directors grant such options.

The following is a summary of the Company's share option activities for the nine months ended 31 March 2022 and year ended 30 June 2021:

| | 31 March 2022 | | 30 June 2021 | |
|-----------------------------------|-------------------|---------------------------------------|-------------------|---------------------------------------|
| | Number of options | Weighted-average exercise price (\$C) | Number of options | Weighted-average exercise price (\$C) |
| Outstanding, beginning of period | 3,871,388 | 1.10 | - | - |
| Granted | 630,000 | 3.22 | 4,046,745 | 1.08 |
| Expired | - | - | (42,857) | 0.47 |
| Exercised | (78,250) | 0.92 | (132,500) | 1.00 |
| Cancelled | (50,000) | 3.40 | - | - |
| Forfeited | (91,875) | 1.44 | - | - |
| Outstanding, end of period | 4,281,263 | 1.38 | 3,871,388 | 1.09 |

On 23 December 2020, the Company granted 3,746,745 share options to various consultants, directors and officers of the Company as follows:

- 3,583,888 share options have an exercise price of \$C 1.00 per share and expire on 22 December 2025;
- 120,000 share options have an exercise price of \$C 0.47 per share and expire on 31 October 2023;
- 42,857 share options had an exercise price of \$C 0.47 per share and expired on 1 May 2021.

The fair value of these options was determined as \$3,178,397.

On 25 February 2021, the Company granted 200,000 share options to officers and staff of the Company. The options have an exercise price of \$C 2.15 per share and expire on 31 December 2025. The fair value of the 200,000 options granted was determined as \$453,001.

On 23 June 2021, the Company granted 100,000 share options to a consultant of the Company. The options have an exercise price of \$C 3.00 per share and expire on 1 July 2025. The fair value of these options was determined as \$306,729.

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In respect of the December 2020, February 2021, and June 2021 option grants, \$1,197,549 was included as a share-based expense in the prior financial period, and \$1,379,715 included as a share-based expense for the current period.

During the nine months ended 31 March 2022, 630,000 options were issued as follows:

- 22 July 2021: 200,000 options expiring 1 October 2025 with an exercise price of \$C 3.00;
- 10 August 2021: 25,000 options expiring 1 October 2025 with an exercise price of \$C 3.00;
- 16 August 2021: 50,000 options expiring 1 October 2025 with an exercise price of \$C 2.50;
- 16 September 2021: 30,000 options expiring 1 October 2025 with an exercise price of \$C 3.00;
- 21 October 2021: 75,000 options expiring 1 January 2026 with an exercise price of \$C 3.50;
- 9 November 2021: 100,000 options expiring 1 January 2026 with an exercise price of \$C 3.50; and
- 1 December 2021: 150,000 options expiring 1 December 2025 with an exercise price of \$C 3.50.

The fair value of the 630,000 options granted was determined as \$1,751,640 with \$926,556 included as a share-based payment expense in the nine-month period ending 31 March 2022.

All option grant valuations during the financial period have been determined using the Black-Scholes option pricing model with the following weighted average assumptions:

| | Nine Months Ended 31 March 2022 | Year Ended 30 June 2021 |
|--------------------------|------------------------------------|----------------------------|
| | \$C 2.76 - \$C 3.47 | \$C 1.00 - \$C 3.19 |
| Share price | | |
| Exercise price | \$C 2.50 - \$C 3.50 | \$C 1.00 - \$C 3.00 |
| Risk-free interest rate | 0.78% - 1.42% | 0.19% - 0.97% |
| Expected term (in years) | 4.0 - 4.2 | 0.5 - 5.0 |
| Estimated dividend yield | 0% | 0% |
| Estimated volatility | 120.37% - 125% | 125% |

During the nine months ending 31 March 2022, 78,250 options were exercised for proceeds of \$77,752. During the year ended 30 June 2021, 132,500 options were exercised for proceeds of \$105,766.

During the nine months ending 31 March 2022, 91,875 options for were forfeited through staff resignations as follows:

- 71,875 options exercisable at \$C 1.00, expiring 22 December 2025; and
- 20,000 options exercisable at \$C 3.00, expiring 1 October 2025.

During the nine months ending 31 March 2022, 50,000 options for were cancelled through staff terminations as follows:

- 50,000 options exercisable at \$C 3.40, expiring 1 April 2025.

The current period's share-based compensation includes:

- a reversal of \$76,566 for share-based compensation previously recognized in respect of the forfeited options; and
- a vesting acceleration of \$38,055 for share based compensation recognized in respect of the cancelled options.

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The following table summarizes information regarding share options outstanding and exercisable as at 31 March 2022:

| Expiry Date | Number of options outstanding | Number of options exercisable | Weighted-average remaining contractual life (years) | Weighted - average exercise price (\$C) | Weighted - average exercise price - vested (\$C) |
|------------------|-------------------------------|-------------------------------|---|---|--|
| 31 October 2023 | 48,000 | 48,000 | 1.8 | 0.47 | 0.47 |
| 1 July 2025 | 100,000 | 12,500 | 3.5 | 3.00 | 3.00 |
| 1 October 2025 | 285,000 | - | 3.8 | 2.91 | n/a |
| 1 December 2025 | 150,000 | - | 3.9 | 3.50 | n/a |
| 22 December 2025 | 3,373,263 | 1,251,302 | 4.0 | 1.00 | 1.00 |
| 31 December 2025 | 150,000 | 56,250 | 4.0 | 2.15 | 2.15 |
| 1 January 2026 | 175,000 | - | 4.0 | 3.50 | n/a |
| Total | 4,281,263 | 1,368,052 | 3.9 | 1.40 | 1.05 |

14. Warrants

The following is a summary of the changes in the Company's share purchase warrants for the nine months ended 31 March 2022 the year ended 30 June 2021:

| | 31 Mar 2022 | | 30 Jun 2021 | |
|-----------------------------------|--------------------|--|--------------------|--|
| | Number of warrants | Weighted- average exercise price (\$C) | Number of warrants | Weighted- average exercise price (\$C) |
| Outstanding, beginning of period | 2,762,752 | 6.68 | - | \$ - |
| Granted | - | - | 2,792,164 | 6.62 |
| Exercised | (164,706) | 1.73 | (29,412) | 1.00 |
| Expired | - | - | - | - |
| Outstanding, end of period | 2,598,046 | 6.99 | 2,762,752 | 6.68 |

On 23 December 2020, 492,941 share purchase warrants were granted to the convertible note holders at the time. Each warrant entitles the holder to acquire one common share in the Company at \$C 1.00 per share until 23 December 2022. No expense has been included in the current or prior financial period's profit or loss.

On 23 December 2020, 41,712 share purchase warrants were granted to the Company's convertible note advisors. Each warrant entitles the holder to acquire one common share in the Company at \$C 1.00 per share until 22 June 2022. These warrants replaced options over shares in BTC previously granted to an advisor in the preceding financial period in relation to the convertible note financing. No expense has been included in the current or prior financial period's profit or loss.

On 23 December 2020, 79,948 share purchase warrants were granted to listing advisors. Each warrant entitles the holder to acquire one common share in the Company at \$C 1.00 per share until 23 December 2022. The fair value of these warrants was determined as \$50,728 and was included in share issue costs for the year ended 30 June 2021.

On 25 February 2021, 100,000 share purchase warrants were granted to an unsecured loan provider. Each warrant entitles the holder to acquire one common share in the Company at \$C 2.20 per share until 24 February 2022. The fair value of these warrants was determined as \$172,952 and was included as a share-based finance charge in the previous financial year.

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On 8 April 2021, advisors to the Company's private placement were issued 202,787 share purchase warrants exercisable at \$C 8.50 per share for a period of 42 months from the date of issuance. The fair value of these warrants was determined as \$1,195,265 and was debited to share issue costs within equity in the year ending 30 June 2021.

On 8 April 2021, investors to the Company's private placement were issued 1,874,776 share purchase warrants exercisable at \$C 8.50 per share for a period of 42 months from the date of issuance. The fair value of these warrants was determined as \$5,385,036 and was debited to share issue costs within equity in the year ending 30 June 2021.

Each of the warrant issue valuations were undertaken using the Black-Scholes option pricing model with the following weighted-average assumptions:

| | 9 Months Ended 31 Mar 2022 | Year Ended 30 Jun 2021 |
|--------------------------|-------------------------------|---------------------------|
| Share price | - | \$C 1.00 - \$C 7.60 |
| Exercise price | - | \$C 1.00 - \$C 8.50 |
| Risk-free interest rate | - | 0.20% - 0.46% |
| Expected term (in years) | - | 2.0 - 3.5 |
| Estimated dividend yield | - | 0% |
| Estimated volatility | - | 125% |

During the nine months ended 31 March 2022, 164,706 warrants were exercised for proceeds of \$290,286.
During the year ended 30 June 2021, 29,412 warrants were exercised for proceeds of \$31,094.

15. Revenue

| | Three months ended 31 Mar 2022 | Three months ended 31 Mar 2021 | Nine months ended 31 Mar 2022 | Nine months ended 31 Mar 2021 |
|--|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| | \$ | \$ | \$ | \$ |
| Sales revenue | | | | |
| Sale of cryptocurrencies "Principal" or "Off-Ramping services" | 2,147,352 | 7,697,795 | 3,637,372 | 11,620,433 |
| Integration revenue | (13,857) | 36,429 | (24,965) | 146,616 |
| Commissions and spread from services "Agency" or "On-Ramping services" | 14,354,062 | 13,280,713 | 52,915,924 | 16,647,169 |
| Total sales revenue | 16,487,557 | 21,014,937 | 56,528,331 | 28,414,218 |
| Geographical regions | | | | |
| Australia | 1,913,001 | 9,864,611 | 7,506,019 | 12,966,126 |
| North America | 717,317 | 1,981,291 | 2,196,063 | 1,981,291 |
| Europe | 13,857,239 | 9,169,035 | 46,826,249 | 13,466,801 |
| Total sales revenue | 16,487,557 | 21,014,937 | 56,528,331 | 28,414,218 |
| Timing of revenue recognition | | | | |
| Cryptocurrencies transferred at a point in time | 2,147,352 | 7,697,795 | 3,637,372 | 11,620,433 |
| Service transferred over time | (13,857) | 36,429 | (24,965) | 146,616 |
| Service transferred at a point in time | 14,354,062 | 13,280,713 | 52,915,924 | 16,647,169 |
| Total sales revenue | 16,487,557 | 21,014,937 | 56,528,331 | 28,414,218 |

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16 Loss per share

For the three and nine months ended 31 March 2022, basic and diluted loss per share has been calculated as follows:

| | Three months ended 31 Mar 2022 | Three months ended 31 Mar 2021 | Nine months ended 31 Mar 2022 | Nine months ended 31 Mar 2021 |
|--|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| Net loss | (5,168,699) | (1,371,497) | (8,311,469) | (2,279,542) |
| Basic weighted average number of common shares | 45,549,931 | 40,731,263 | 45,549,931 | 36,133,038 |
| Diluted weighted average number of common shares | 45,549,931 | 40,731,263 | 45,549,931 | 36,133,038 |
| Basic net income/ (loss) per share | (0.11) | (0.03) | (0.19) | (0.06) |
| Diluted net income/ (loss) per share | (0.11) | (0.03) | (0.19) | (0.06) |

The calculation of weighted average number of shares has been adjusted retrospectively for the effects of the equity recapitalization associated with the December 2020 reverse takeover, refer note 4. Diluted loss per share did not include the effect of the following as they are anti-dilutive:

| | As at 31 Mar 2022 | As at 31 Mar 2021 |
|---|----------------------|----------------------|
| Common stock options | 4,676,745 | 3,898,745 |
| Warrants for the purchase of common stock | 2,774,517 | 696,954 |
| Convertible notes | 492,941 | 492,941 |
| Total | 7,944,203 | 5,088,640 |

17. Related party transactions

Related party transactions are measured at the amount of consideration established and agreed to by the related parties.

(a) Remuneration of directors and key management personnel of the Company was as follows:

| | Three months ended 31 Mar 2022 | Three months ended 31 Mar 2021 | Nine months ended 31 Mar 2022 | Nine months ended 31 Mar 2021 |
|--|-----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| | \$ | \$ | \$ | \$ |
| Salaries | 857,372 | 350,709 | 1,986,384 | 824,514 |
| Consulting fees including reimbursements at cost | 108,422 | 144,094 | 327,062 | 403,571 |
| Director fees | 84,565 | 81,788 | 295,077 | 153,788 |
| Share-based compensation | 345,636 | 778,503 | 1,148,011 | 852,856 |
| Total Remuneration | 1,395,995 | 1,355,094 | 3,756,534 | 2,234,729 |

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three months periods ended 31 March 2022 and 31 March 2021.

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(b) The Company entered into the following transactions with related parties:

| | Three months ended 31 Mar 2022 | Three months ended 31 Mar 2021 | Nine months ended 31 Mar 2022 | Nine months ended 31 Mar 2021 |
|---|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| | \$ | \$ | \$ | \$ |
| Issue of arranger shares | - | - | - | 722,945 |
| Repayment of loans | (3,900,000) | (580,000) | (3,900,000) | 60,000 |
| Loan from related party | 3,900,000 | - | 3,900,000 | - |
| Payment of acquisition consideration | - | 17 | - | 17 |
| Advances of cryptocurrency | - | - | 977,423 | 493,608 |
| Repayments of cryptocurrency loans | - | (493,608) | (979,165) | (493,608) |
| Pre-acquisition loans to related party acquisitions | - | - | - | 82,254 |
| Rental payments at cost | 3,859 | 41,277 | 27,380 | 84,259 |
| Purchase of Bitcoin for resale | - | - | - | - |
| Sublet Income | 7,440 | - | 14,880 | - |
| Interest paid to related parties | 9,616 | - | 79,314 | - |
| Purchase of cryptocurrencies (transaction value) | - | - | 29,507 | - |
| Sale of cryptocurrencies (transaction value) | - | - | 41,999 | - |

The Consolidated Entity's revolving credit facilities include two arrangements with related parties (refer note 9).

As at 31 March 2022, included in Trade and Other Payables is a balance of \$10,905 (30 June 2021: \$47,242) payable to related parties as follows:

| | As at 31 Mar 2022 | As at 30 June 2021 |
|--|----------------------|-----------------------|
| Directors of the company | \$ | \$ |
| Officers of the company | 10,905 | 36,065 |
| | - | 11,177 |
| Total Trade and Other Payables to related parties | 10,905 | 47,242 |

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18. Nature and extent of risk arising from financial instruments and digital assets

Risk management policy

In the normal course of business, the Company is exposed to financial risk that arises from a number of sources. Management's involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Company, Management takes steps to avoid undue concentrations of risk. The Company manages the risks as follows:

Credit risk

The Consolidated Entity has credit risk in respect of both financial instruments and cryptocurrency deposits. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount of cash and cash equivalents including cash deposits and trade and other receivables, as disclosed in the consolidated statement of financial position and notes to the consolidated financial statements. The Consolidated Entity does not hold any collateral.

Generally, provisions are recorded based on assumptions made on our historical write offs and the nature of the receivable. In addition, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 30 days.

The Consolidated Entity limits its credit risk by placing its cryptocurrencies with crypto-exchanges ("trading exchanges") on which the Consolidated Entity has performed internal due diligence procedures.

As at 31 March 2022, the Consolidated Entity held deposits with trading exchanges of \$5,233,854 (30 June 2021 \$3,663,035) together with payment gateway receivables of \$3,022,233 (30 June 2021: \$2,106,798). These amounts represent balances with exchanges or custodians that do not have system or organisation control reporting available.

The Consolidated Entity's due diligence procedures around exchanges include, but are not limited to, internal control procedures around on-boarding new exchanges which includes review of the exchanges anti-money laundering ("AML") and know-your-client ("KYC") policies, obtaining a security ratings report by an independent third party on certain exchanges, constant review of market information specifically regarding the exchanges' security and solvency risk, setting balance limits for each exchange account based on risk exposure thresholds and preparing daily asset management reports to ensure limits are being followed and having a fail-over plan to move digital assets held on an exchange in instances where risk exposure significantly changes.

The Consolidated Entity limits its credit risk with respect to its payment gateways receivables by transacting with credit worthy counterparties that are believed to have sufficient capital to meet their obligations as they come due and, with regard to over-the-counter counterparties, on which the Consolidated Entity has performed the relevant AML and KYC procedures. As of each reporting period, the Consolidated Entity assesses if there may be expected credit losses requiring a provision.

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While the Consolidated Entity intends to only transact with trading exchanges that it believes to be creditworthy, there can be no assurance that a trading exchange will not default and that the Consolidated Entity will not sustain a material loss on the transaction as a result. As of 31 March 2022, the Consolidated Entity does not expect any material unprovided loss of any of its digital deposits.

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and where practical matching the maturity profiles of financial assets and liabilities. In addition, as outlined above the daily liquidity management function monitors and manages amounts deposited with trading exchanges. The Consolidated Entity further manages all liquidity risk through maintaining a sufficient working capital amount through daily monitoring of controls, cash balances, and operating results.

The Consolidated Entity's trade payables and accruals are substantially due within twelve months. The maturity schedule of the Company's credit facilities and gross lease repayments are described below.

| 31 Mar 2022 | 2021 | 2022 | 2023 | 2024 | Thereafter |
|--------------------------------------|------------------|----------------|----------------|----------------|------------|
| Commitment - operational | | | | | |
| Trade payables | 767,567 | - | - | - | - |
| Accrued wages and other expenses | 3,089,811 | - | - | - | - |
| Commitments-other | | | | | |
| Credit card | 249,347 | - | - | - | - |
| Lease payments | 308,492 | 422,453 | 436,231 | 221,619 | - |
| Revolving working capital facility | - | - | - | - | - |
| Total contractual obligations | 4,415,217 | 422,453 | 436,231 | 221,619 | - |

| 30 Jun 2021 | 2021 | 2022 | 2023 | 2024 | Thereafter |
|--------------------------------------|------------------|----------|----------|----------|------------|
| Commitment - operational | | | | | |
| Trade payables | 1,274,015 | - | - | - | - |
| Accrued wages and other expenses | 424,265 | - | - | - | - |
| Interest- convertible note | 53,591 | - | - | - | - |
| Commitments – other | | | | | |
| Convertible note | 369,935 | - | - | - | - |
| Credit card | 74,936 | - | - | - | - |
| Total contractual obligations | 2,196,742 | - | - | - | - |

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Digital assets

Access to digital assets can be disrupted by a number of matters including:

- Loss of access risk, such as to private keys;
- Irrevocable transactions given that transactions cannot be changed or corrected once a transaction has been verified and recorded on the blockchain;
- Fluctuations in digital asset prices due to global forces, interest rate, exchange, inflation, political/economic conditions;
- Vulnerability of crypto networks to hacking; and
- Unregulated crypto exchanges.

Price risk relating to digital assets

Fluctuations in the prices of cryptocurrencies may impact the day to day trading volumes of the Consolidated Entity's exchange partners, and unfavourably impact the Consolidated Entity's revenues. Additionally, during periods of rapid price fluctuations, there is a risk that unfavourable trading margins may occur due to delays in filling orders

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include cash, investment portfolio, debentures, credit facilities and derivative financial liability.

Interest rate risk

The Consolidated Entity's convertible note was an interest-only liability that was converted into common shares in July 2021. Interest charges are incurred on various liabilities including lease liabilities, income tax obligations, and working capital facilities that are put into place from time to time. Interest rates under the working capital loan facility agreements detailed in note 9 are fixed for the duration of the facilities to 30 November 2024.

Foreign currency risk

The Consolidated Entity undertakes many transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Consolidated Entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

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| Consolidated | Assets | | Liabilities | |
|-------------------|------------------|-------------------|----------------|------------------|
| | 31 Mar 2022 | 30 Jun 2021 | 31 Mar 2022 | 30 June 2021 |
| | \$ | \$ | \$ | \$ |
| US dollars | 7,814,647 | 7,284,476 | 226,499 | 338,059 |
| Euros | 780,390 | 1,737,749 | 29,752 | 65,285 |
| GBP | 346,003 | 10,452,404 | - | - |
| Singapore dollar | - | - | - | - |
| Canadian dollars | 488,687 | 2,341,065 | 70,485 | 1,565,249 |
| Malaysian ringgit | - | - | - | - |
| Philippine peso | - | - | 6,475 | 2,723 |
| | <u>9,429,727</u> | <u>21,815,694</u> | <u>333,211</u> | <u>1,971,316</u> |

The Consolidated Entity had net assets denominated in foreign currencies of \$9,096,516 (assets of \$9,429,727 less liabilities of \$333,211) as at 31 March 2022 (31 March 2021: net assets \$6,829,650 (assets of \$13,386,768 less liabilities of \$6,557,118)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2021: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the nine-month period would have been \$909,652 lower/\$454,826 higher (31 March 2021: \$682,965 lower/\$341,482 higher). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 9 months each year and the spot rate at each reporting date. The actual foreign exchange loss for the nine-months ended 31 March 2022 was \$6,082,314 (31 March 2021: gain of \$200,823).

19. Fair value measurement

Fair value hierarchy

The following tables detail the Consolidated Entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

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| | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|------------------|----------|------------------|
| Consolidated – 31 Mar 2022 | \$ | \$ | \$ | \$ |
| <i>Assets</i> | | | | |
| Inventory | 452,766 | - | - | 452,766 |
| Deposits with trading exchanges held in crypto and Tether | - | 5,233,854 | - | 5,233,854 |
| Total assets | <u>452,766</u> | <u>5,233,854</u> | <u>-</u> | <u>5,686,620</u> |
| | Level 1 | Level 2 | Level 3 | Total |
| Consolidated – 30 Jun 2021 | \$ | \$ | \$ | \$ |
| <i>Assets</i> | | | | |
| Inventory | 45,311 | - | - | 45,311 |
| Deposits with trading exchanges held in crypto and Tether | - | 3,612,885 | - | 3,612,885 |
| Total assets | <u>45,311</u> | <u>3,612,885</u> | <u>-</u> | <u>3,658,196</u> |
| <i>Liabilities</i> | | | | |
| Convertible note | - | 369,935 | - | 369,935 |
| Derivative liability | - | 1,127,457 | - | 1,127,457 |
| Total liabilities | <u>-</u> | <u>1,497,392</u> | <u>-</u> | <u>1,497,392</u> |

Assets and liabilities held for sale are measured at fair value on a non-recurring basis. There were no transfers between levels during the period.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities. Derivative financial instruments have been valued using quoted market interest rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Digital assets consist of:

- Deposits held with trading exchanges in crypto-currencies or Tether;
- Tether balances included in other trade receivables; and
- Digital currencies held as inventory.

Deposits held with trading exchanges in cryptocurrencies and Tether (Note 6), together with sundry Tether balances included in Trade Receivables (note 5) are measured at fair value using Level 2 inputs. Inventories are measured at fair value using level 1 inputs. Deposits and Tether balances, together with inventory, collectively represent the Consolidated Entity's "Digital Assets". Digital Asset prices are affected by various global forces including global supply and demand, interest rates, exchange rates, inflation or deflation and global political and economic conditions. The profitability of the Consolidated Entity is impacted by the current and future market price of Digital Assets; in addition, the Consolidated Entity may not be able to liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could negatively impact the Consolidated Entity's future operations. The Consolidated Entity has not hedged the conversion of any its digital currency sales. Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performance of digital currencies is not indicative of their future price performance. For the nine months ended 31 March 2022, management's estimate of the effect on loss before tax of a +/- 15% (Q3 FY 2021: 15%) change in the market price of the Consolidated Entity's Digital Assets, with all other variables held constant, is +/- \$785,078 (year ending 30 June 2021 +/- \$548,729).

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20. Expenses

| General, Administration and Other | Three months ended 31 Mar 2022 | Three months ended 31 Mar 2021 | Nine months ended 31 Mar 2022 | Nine months ended 31 Mar 2021 |
|--|---|-----------------------------------|--|----------------------------------|
| | \$ | \$ | \$ | \$ |
| Bank charges | 42,640 | 107,639 | 80,904 | 174,435 |
| Chargeback expenses | (244,925) | - | 1,488,962 | - |
| Provisions for recoverability/ bad debts | - | 1,962,861 | - | 2,281,289 |
| Rental expense relating to operating leases | 37,835 | 48,917 | 112,685 | 93,844 |
| Travel | 197,051 | 24,494 | 264,082 | 44,054 |
| Software development | 395,870 | 236,375 | 1,400,217 | 437,174 |
| Legal, accounting, consulting | 563,582 | 387,224 | 1,310,664 | 1,117,663 |
| Marketing and advertising | 397,442 | 17,147 | 1,095,331 | 34,906 |
| Security audit | - | 32,200 | 19,740 | 74,200 |
| Investor relations | 409,438 | 138,264 | 915,069 | 157,969 |
| TSX costs | 47,627 | 93,909 | 146,808 | 93,909 |
| Donation | 19,500 | - | 44,500 | - |
| Other | 202,609 | 42,445 | 545,719 | 112,178 |
| Total General, Administration and Other | 2,068,669 | 3,091,475 | 7,424,681 | 4,621,621 |

| Salary expense | Three months ended 31 Mar 2022 | Three months ended 31 Mar 2021 | Nine months ended 31 Mar 2022 | Nine months ended 31 Mar 2021 |
|---|---|-----------------------------------|--|----------------------------------|
| | \$ | \$ | \$ | \$ |
| Wages, bonus accruals, contractors | 4,912,649 | 1,580,781 | 12,271,519 | 3,376,460 |
| Recruitment | 439,664 | 43,486 | 1,252,227 | 66,598 |
| Superannuation | 279,367 | 65,473 | 662,234 | 154,636 |
| Other employment entitlements and taxes | 726,355 | 126,294 | 1,431,739 | 169,755 |
| Total Salary Expense | 6,358,035 | 1,816,034 | 15,617,719 | 3,767,449 |

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21. Non-current assets – deferred tax

| | As at 31 Mar 2022 | As at 30 Jun 2021 |
|---|----------------------|----------------------|
| Deferred tax asset comprises temporary differences attributable to: | | |
| Amounts recognised in profit or loss: | | |
| Unrealised foreign exchange loss | 48,279 | - |
| Provision for accounting and audit fees | 48,000 | - |
| Superannuation liability | 83,985 | - |
| Accrued expenses | 30,000 | - |
| Provision for chargebacks | 42,830 | - |
| Provision for annual & long-service leave | 213,414 | - |
| Provision for short-term incentives | 284,567 | - |
| Provision for recoverability of liquidity deposits | 59,163 | - |
| Fringe benefits tax provision | 567 | - |
| Others | (29,368) | - |
| Capital raising costs | 205,142 | - |
| Deferred tax asset | <u>986,579</u> | <u>-</u> |
| <i>Movements:</i> | | |
| Opening balance | - | - |
| Credited to profit or loss (note 21) | 781,437 | - |
| Credited to share capital (note 12) | 205,142 | - |
| Closing balance | <u>986,579</u> | <u>-</u> |

22. Subsequent events

Other than the following matters, there are no other matters or circumstances that have arisen since 31 March 2022 that have significantly affected, or may significantly affect, the consolidated entity's operations, the results of those operations, on the Consolidated Entity's state of affairs in future financial periods:

- On 12 April 2022 Banxa announced that it had granted 40,000 options to an officer of the company. The options vest over 24 months, have an expiry of five years and are exercisable at \$2.50.
- Market-maker engaged
The company has engaged the services of Generation IACP Inc. to provide services as a market-maker in compliance with the policies and guidelines of the TSX Venture Exchange and other applicable legislation. Generation will receive a fee of \$7,500 plus applicable taxes per month. The agreement between the company and Generation is for an initial term of six months and shall be automatically renewed for subsequent four-month periods unless the company provides written notice of termination to Generation at least 30 days prior to the end of the term or Generation provides a written notice of termination to the company. Commencing on the first anniversary of the agreement, the fee payable to Generation will automatically increase annually by 3.0 per cent. No stock options or other compensation are being granted in connection with the engagement. Generation does not currently own any securities of the company; however, Generation and its clients may acquire an interest in the securities of the company in the future.