

Banxa Holdings Inc.

Condensed Interim Consolidated Financial Statements

For the six months period ended on 31 December 2022 and 31 December 2021

(Expressed in Australian Dollars) (Unaudited)

BANXA HOLDINGS INC.

**CONDENSED INTERIM
CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE THREE AND SIX MONTHS
ENDED**

31 December 2022 AND 2021

(EXPRESSED IN AUSTRALIAN DOLLARS)

(UNAUDITED)

Banxa Holdings Inc.

Condensed Interim Consolidated Financial Statements

For the six months period ended on 31 December 2022 and 31 December 2021

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Banxa Holdings Inc.

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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 Financial Statements

For the six months period ended on 31 December 2022 and 31 December 2021

(Expressed in Australian Dollars) (Unaudited)

Condensed interim Consolidated Statement of Financial Position

As at 31 December 2022 and 30 June 2022

		31 December 2022 (Unaudited)	30 June 2022 (Audited)
	Note	(\$)	(\$)
Assets			
<i>Current assets</i>			
Cash and cash equivalents		7,633,277	9,364,013
Trade and other receivables	4	7,759,996	2,766,934
Inventories	5	295,765	883,885
Prepays	6	479,295	464,332
Total current assets		16,168,333	13,479,164
<i>Non-current assets</i>			
Property, plant & equipment	8	413,013	495,077
Right-of-use assets	9	634,271	763,399
Goodwill	7	151,643	151,643
Other deposits - bank guarantee	10	252,758	505,516
Other assets	26	750,000	-
Total non-current assets		2,201,685	1,915,635
Total assets		18,370,018	15,394,799
Liabilities			
<i>Current liabilities</i>			
Trade and other payables	11	3,933,684	5,720,071
Borrowings	12	4,000,000	-
Convertible Note	13	1,606,123	-
Derivative Liability	13	208,256	-
Current tax liabilities		364,559	355,310
Provisions	14	562,295	632,309
Lease liability - current	15	372,464	354,348
Total current liabilities		11,047,381	7,062,038
<i>Non-current liabilities</i>			
Provisions and other liabilities	14	43,355	63,710
Convertible Note	13	828,139	-
Lease liability	15	629,446	821,975
Total non-current liabilities		1,500,940	885,685
Total liabilities		12,548,321	7,947,723
Net assets		5,821,697	7,447,076
Equity			
Issued capital	16	23,128,075	23,128,075
Contributed surplus	17	13,659,933	11,619,713
Foreign currency translation reserve	17	440,855	1,156,524
Accumulated losses	18	(31,407,166)	(28,457,236)
Total equity		5,821,697	7,447,076

Nature of operation (Note 01)

Subsequent events (Note 30)

The above statements of financial position income should be read in conjunction with the accompanying notes.

Approved and authorized for issuance by the Board of Directors of Banxa Holdings Inc on 16 May 2023.

(Signed) " D. Carosa "
Chairman

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

Banxa Holdings Inc.

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Condensed interim Consolidated Statements of Profit or Loss and Other comprehensive income

For the six months period ended 31 December 2022 and 31 December 2021

		Three months ended 31 Dec 2022	Three months ended 31 Dec 2021	Six months ended 31 Dec 2022	Six months ended 31 Dec 2021
	Note	(\$)	(\$)	(\$)	(\$)
Revenue	21	19,871,707	27,971,537	33,649,658	40,040,774
Cost of sales		(15,002,082)	(17,718,369)	(25,975,893)	(24,334,854)
Gross profit		4,869,625	10,253,168	7,673,765	15,705,920
Employment expenses		(3,862,007)	(4,920,580)	(8,427,497)	(9,259,684)
Depreciation and amortisation	8&9	(105,752)	(96,571)	(211,192)	(195,570)
General, administration and other	22	(2,284,735)	(2,831,581)	(4,700,932)	(5,356,013)
Share based compensation		(298,027)	(873,938)	(815,958)	(1,734,604)
Total operating expenses		(6,550,521)	(8,722,670)	(14,155,579)	(16,545,871)
Operating loss before other items and income tax		(1,680,896)	1,530,498	(6,481,814)	(839,951)
Other items		-	-	-	-
Realised gain on fair value of deposits (treasury coins)		-	244,862	15,027	1,255,000
Unrealised loss on fair value of deposits (treasury coins)		-	(93,041)	-	-
Realised loss on fair value of derivative liability		-	-	-	(136,866)
Unrealised loss on fair value of derivative liability	22	241,745	-	241,745	-
Net foreign exchange gains/(losses)	22	171,874	(3,866,723)	315,006	(3,838,662)
Other Income	27	219,743	23,087	3,419,174	233,913
Finance expenses	22	(408,748)	(180,744)	(457,073)	(251,404)
Total other items		224,614	(3,872,559)	3,533,879	(2,738,019)
Loss before tax		(1,456,282)	(2,342,061)	(2,947,935)	(3,577,970)
Income tax benefit / (expense)		(574)	446,441	(1,995)	338,063
Net loss for the year		(1,456,856)	(1,895,620)	(2,949,930)	(3,239,907)
Other comprehensive income					
Items that may be reclassified to profit or loss in subsequent periods (net of tax)					
Exchange differences on translation of foreign operations		(681,472)	(63,381)	(715,669)	97,136
Total comprehensive loss for the year		(2,138,328)	(1,959,001)	(3,665,599)	(3,142,771)
Earnings per share attributable to ordinary shareholders of the Company					
Basic loss per share	23	(0.03)	(0.04)	(0.06)	(0.07)
Diluted loss per share	23	(0.03)	(0.04)	(0.06)	(0.07)

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Realised gain on fair value of deposits (treasury coins) for Dec 2021 period, included 16,942.60 LTC coins. No LTC coin volume accumulated in FY22 was carried into Q1 FY23.

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Condensed interim Consolidated Statement of Changes in Equity

For the six months period ended 31 December 2022 and 31 December 2021

	Number of common shares	Issued capital (\$)	Contributed surplus (\$)	Foreign currency translation reserve (\$)	Accumulated losses (\$)	Total (\$)
2021						
As at 1 July 2021	44,744,034	20,913,753	8,695,175	511,245	(11,186,453)	18,933,720
Loss for the year	-	-	-	-	(3,239,907)	(3,239,907)
Other comprehensive income	-	-	-	97,136	-	97,136
Total comprehensive income	-	-	-	97,136	(3,239,907)	(3,142,771)
Share-based compensation		-	1,734,604	-	-	1,734,604
Shares issued on conversion of note	492,941	1,634,258	-	-	-	1,634,258
Shares issued for services (note 16)	70,000	223,018	-	-	-	223,018
Exercise of ESOP options	56,375	54,415	-	-	-	54,415
Exercise of warrants	64,706	70,286	-	-	-	70,286
Tax impact of capital raising costs, not previously recognised		205,141				205,141
As at 31 December 2021	45,428,056	23,100,871	10,429,779	608,381	(14,426,360)	19,712,671

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Condensed interim Consolidated statement of changes in equity (continued)

For the six months period ended 31 December 2022 and 31 December 2021

	Number of common shares	Issued capital (\$)	Contributed surplus (\$)	Foreign currency translation reserve (\$)	Accumulated losses (\$)	Total (\$)
2022						
As at 1 July 2022	45,563,056	23,128,075	11,619,713	1,156,524	(28,457,236)	7,447,076
Loss for the year	-	-	-	-	(2,949,930)	(2,949,930)
Other comprehensive income	-	-	-	(715,669)	-	(715,669)
Total comprehensive income	-	-	-	(715,669)	(2,949,930)	(3,665,599)
Share based compensation	-	-	810,439	-	-	810,439
Warrants Issued	-	-	1,229,781	-	-	1,229,781
As at 31 December 2022	45,563,056	23,128,075	13,659,933	440,855	(31,407,166)	5,821,697

The above statements of changes in equity should be read in conjunction with the accompanying notes.

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Condensed interim Consolidated Statements of Changes in Cash Flows

For the six months period ended 31 December 2022 and Financial Year ended 30 June 2022

	Note	31-Dec-22 (\$)	31-Dec-21 (\$)
Net loss for the period		(2,949,930)	(3,239,907)
Cash flows excluded from profit attributable to operating activities			
Adjustments for non-cash flows in the statement of comprehensive income:			
Depreciation & amortization	8&9	211,192	195,570
Share-based compensation and Warrants		2,040,220	1,957,621
Loss/(Gain) on Foreign Exchange		(669,049)	75,752
Finance cost ⁽¹⁾	22	457,073	251,404
Changes in assets and liabilities:			
(Increase)/decrease in trade & other receivables	4	(4,993,062)	(7,674,007)
(Increase)/decrease in inventories	5	588,120	(579,305)
(Increase)/decrease in prepaids	6	(14,963)	52,356
Increase/(decrease) in trade & other payables	11	(1,786,387)	2,674,190
Increase/(decrease) in provisions		(90,369)	1,651,787
increase/(decrease) in derivative liabilities		-	136,866
Increase/(decrease) in income taxes payable		9,249	(399,698)
Cash outflow from operating activities		(7,197,906)	(4,897,371)
Cash flows from Investing activities			
Purchase of property, plant & equipment (excluding ROU assets)	8&9	-	(9,812)
Increase/(decrease) in Other assets	27	(750,000)	-
Net cash used by investing activities		(750,000)	(9,812)
Cash flows from financing activities			
Payments for principal element of lease liabilities	15	(174,412)	(143,295)
Payments for Interest element of lease liabilities	15	(33,429)	(58,005)
Interest paid ⁽¹⁾		(423,644)	(193,399)
Proceeds received from borrowing	12	4,000,000	33,058
Derivative Liability	13	2,642,518	-
Issued capital		-	124,700
(Increase)/Decrease in Bank Guarantee	10	252,758	-
Net cash used by financing activities		6,263,791	(236,941)
Net increase/(decrease) in cash and cash equivalents held		(1,684,115)	(5,144,124)
Net foreign exchange difference		(46,621)	21,386
Cash and cash equivalents at the beginning of year		9,364,013	18,615,803
Cash and cash equivalents at end of the financial year		7,633,277	13,493,065

⁽¹⁾ Finance cost was presented as a separate line item on the Cashflow as per IAS 7.31 for Q2 FY 2023 and the comparative was adjusted accordingly.

The above statements of changes in cash flows should be read in conjunction with the accompanying notes.

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Notes to the Consolidated Financial Statements

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 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.

On November 4, 2022 the Company has received a cease trade order (CTO) from the British Columbia Securities Commission (BCSC) for failing to file its audited financial statements for the year ended June 30, 2022. As of the date of this report the CTO has not been removed.

2. Going concern

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 \$2,949,930 and had net cash outflows from operating activities of \$10,197,903 for the six-month period ended 31 December 2022. The Consolidated Entity has historically incurred losses, as well as reported net cash outflows from operating activities.

The above noted conditions indicate the existence of material uncertainties that may cast significant doubt regarding the Consolidated Entity's ability to continue as a going concern and otherwise execute on its business strategies. These audited consolidated financial statements do not give effect to adjustments or disclosures that would be necessary should the Consolidated Entity be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those presented in these audited consolidated financial statements.

The Directors have considered the net current asset position of the Consolidated Entity as at 31 December 2022 which amounts to \$ 5,120,952 (including cash of \$7,633,277 and with Receivables from trading exchanges \$7,759,996 which are at call), and reviewed the cashflow forecasts for a period in excess of 12 months from the signing date 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 Consolidated Entity'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 specific crypto currencies.

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.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretation Committee. The policies have been consistently applied to all the years presented, unless otherwise stated.

The policies applied in these condensed interim consolidated financial statements are based on IFRSs issued and outstanding as of 31 December 2022.

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3. Significant accounting policies (continued)

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, except for:

- Inventory which is recognised and subsequently measured at fair value less costs to sell, as explained in note 5. Changes in fair value less cost to sell of inventory are recognised in profit or loss; and
- Digital currency receivables are recognised and subsequently measured at fair value less costs to sell, as explained in note 4. Changes in fair value of digital currency receivables are recognised in profit or loss.
- The derivative liability is recognized and subsequently measured at fair value through profit or loss. Changes in fair value of derivative liability are recognized in profit or loss.

These consolidated financial statements have also been prepared using the accrual basis of accounting, except for cash flow information.

Standards issued but not yet effective

The following amendments to existing standards have been issued and are applicable to the Consolidated Entity for its annual period beginning on 1 July 2022 and thereafter, with an earlier application permitted:

- Amendments to IFRS 3 *Business Combinations* are designed to: i) update its reference to the 2018 *Conceptual Framework* instead of the 1989 Framework; ii) add a requirement that, for obligations within the scope of IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, ("IAS 37") an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC Interpretation 21, *Levies*, ("IFRIC 21") the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date; and iii) add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.
- Amendments to IAS 16 *Property, Plant and Equipment* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract" in assessing whether a contract is onerous. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* extend the relief, which allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, to the cumulative translation differences for all foreign operations.
- Amendments to IFRS 9 *Financial Instruments* ("IFRS 9") clarify which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- Amendments to IFRS 16 *Leases* ("IFRS 16"), remove the illustration of the reimbursement of leasehold improvements included in the Illustrative Example 13 of IFRS 16 since it does not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

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3. Significant accounting policies (continued)

The following amendments to existing standards have been issued and are applicable to the Consolidated Entity for its annual period beginning on 1 July 2023 and thereafter, with an earlier application permitted:

- Amendments to IAS 1 Presentation of Financial Statements ("IAS 1"), clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.
- Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Amendments to IAS 12 Income Taxes specify how entities should account for deferred income taxes on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognise assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations and that entities are required to recognise deferred income taxes on such transactions.

The Consolidated Entity is currently evaluating the impacts of adopting these amendments on its consolidated financial statements.

Significant accounting judgments and estimates

In the application of the Consolidated Entity's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amount and classification of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Many aspects of the digital currency and blockchain industry have not yet been addressed by current IFRS guidance. The Consolidated Entity is required to make significant assumptions and judgements as to its accounting policies and the application thereof which is disclosed in the notes to these consolidated financial statements. If specific guidance is enacted by the IASB in the future, the impact may result in changes to the Consolidated Entity's profit or loss and financial position as currently presented.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revisions affect only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- IFRS does not include specific guidance on the accounting for digital assets and there is no clear industry practice and, accordingly, the accounting for digital assets could fall into a variety of different standards. The Consolidated Entity has assessed that it acts in a capacity as a commodity broker- trader as defined in IAS 2 *Inventories* ("IAS 2") in characterizing its holding of digital assets. The Consolidated Entity holds cryptocurrencies for sale in the ordinary course of business. The Consolidated Entity actively trades the cryptocurrencies and purchase them with a view to their resale in the near future. Although 'commodity' is not defined in IAS 2, the Consolidated Entity has concluded that its holding of cryptocurrencies is a commodity or similar to a commodity and measured its holding of cryptocurrencies at fair value less costs to sell.

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3. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

- Digital currency denominated assets and inventories are included in current assets. Assets of this type held by trade exchanges or liquidity providers are further classified as trade receivables as Banxa is an unsecured creditor while the assets are held by the trade exchange or liquidity provider as the title to these assets is held by the trade exchange or liquidity provider. The trade exchange or liquidity provider owe Banxa an account receivable for the fluctuating value of the fiat and digital assets held on their platform at any point in time. This treatment is consistent with the broader market and regulators in this industry. Digital currencies are carried at their fair value determined by the spot rate based on Trade exchanges (e.g., Binance) prices as at 2 pm UTC. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies may have a significant impact on the consolidated entity's results and financial position.
- The Consolidated Entity has assessed the functional currency for each entity within the Consolidated Entity by taking into account the currency which influences sale prices for goods and services, the currency of the country whose competitive forces and regulations determine sale prices, and the currency that mainly influences labor, material and other costs of providing goods or services.
- Assumptions are made and judgment is used in calculating the fair value of stock options and warrants using the Black-Scholes option pricing model. These assumptions and judgments include estimating the fair value of the Consolidated Entity's stock, future volatility of the stock price and expected dividend yield. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.
- Significant judgment is required in determining the provision for income taxes. Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Consolidated Entity reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities. The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.
- Recovery of deferred tax assets: Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.
- In addition, the Consolidated Entity recognises deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilisation of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped. Unrecognised deferred tax assets are re-assessed at each reporting date and will be recognised when it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.
- The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainties.
- Management's consideration of principal or agent in a revenue transaction is disclosed in the revenue recognition policy below.

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3. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

- **Provision for legal claims:** A provision has been made for the present value of anticipated costs for legal settlements. The calculation of this provision requires assumptions such as the number of unresolved payment disputes during each reporting period that will advance to legal refund demands or be referred to police investigation. The provision recognised for each operating subsidiary is periodically reviewed and updated based on the facts and circumstances available at the time.
- **Goodwill and other indefinite life intangible assets:** The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.
- **Impairment of non-financial assets other than goodwill and other indefinite life intangible assets:** The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.
- **Employee benefits provision:** The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company, BTC, and all subsidiaries of BTC, the accounting parent entity, as at 30 June 2022 and 2021 and the results of all subsidiaries for the years then ended (or from the date when acquired during the year).

Subsidiaries are all those entities over which BTC has control. BTC controls an entity when BTC is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to BTC. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between entities in the Consolidated Entity are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where BTC loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. BTC recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Banxa Holdings Inc.

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(Expressed in Australian Dollars) (Unaudited)

3. Significant accounting policies (continued)

Subsidiaries

The accounting policies of subsidiaries are aligned with the policies adopted by the Company. The Company ultimately owns:

Name	Principal activities	Incorporation	Equity interest	
			31 Dec 2022	30 Jun 2022
			%	%
BTC Corporation Holdings Pty Ltd	Holding company	Australia	100	100
BC Cloud Mining Pty Ltd	Payment service provider	Australia	100	100
Banxa.com Pty Ltd	Payment service provider	Australia	100	100
Global Internet Ventures Pty Ltd	Payment service provider	Australia	100	100
Rhino Loft Pty Ltd	Payment service provider	Australia	100	100
Richmond Internet Ventures Corporation	Payment service provider	Canada	100	100
LT Internet Ventures UAB	Payment service provider	Lithuania	100	100
Internet SG Ventures Pte Ltd	Dormant company	Singapore	100	100
BTC Sing SPV Pte Ltd	Dormant company	Singapore	100	100
EU Internet Ventures B.V.	Payment service provider	Netherlands	100	100
Banxa Teknoloji Anonim Sirketi AS	Payment service provider	Turkey	100	100
BNXA UK Holding Limited	Payment service provider	United Kingdom	100	100
BNXA UK VASP Limited	Payment service provider	United Kingdom	100	100
BNXA USA Holding Inc	Payment service provider	USA	100	100
BNXA USA MTL Inc	Payment service provider	USA	100	100
BNXA USA Operating Inc	Payment service provider	USA	100	100

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued, or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Consolidated Entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Consolidated Entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognized as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognized as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

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3. Significant accounting policies (continued)

Business combinations (continued)

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Current and non-current classification

Assets and liabilities are presented in the consolidated statements of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realized or intended to be sold or consumed in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realized within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Consolidated Entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, fiat deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventories

Inventories are represented by cryptocurrencies. Subsequent to initial recognition at cost, the cryptocurrencies are held at fair value less costs to sell, reflecting the Consolidated Entity's purpose of holding such inventory as a commodity broker-trader in accordance with IAS 2. The Consolidated Entity holds cryptocurrencies for sale in the ordinary course of business. The Consolidated Entity actively trades the cryptocurrencies, purchasing them with a view to their resale in the near future and generating profit from fluctuations in the price or trader's margin. Changes in the value of cryptocurrencies are included in profit and loss for the period.

The Consolidated Entity recognises realised gains or losses on its digital assets when it sells digital assets that it holds on weighted average basis.

Equipment

Equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of equipment (excluding land) over their expected useful lives as follows:

Fixtures and Fittings	4 years
Leasehold improvements	4 years
Computer equipment	3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of equipment is derecognised upon disposal or when there is no future economic benefit to the Consolidated Entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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3. Significant accounting policies (continued)

Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Consolidated Entity uses its incremental borrowing rate reflecting its specific credit risk, the currency of the lease and the weighted average maturity of the outstanding lease liability.

The Consolidated Entity is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payment made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

There are low value and short-term leases with less than 12-month duration which are recognised as expenses when they are paid.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortized and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortization and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortization method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortized. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development

Research costs are expensed in the period in which they are incurred. Development costs are capitalized when it is probable that the project will be a success considering its commercial and technical feasibility; the Consolidated Entity is able to use or sell the asset; the Consolidated Entity has sufficient resources and intent to complete the development; and its costs can be measured reliably.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

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3. Significant accounting policies (continued)

Financial Instruments

Financial assets

Initial recognition and measurement

Non-derivative financial assets with the scope of IFRS 9 are classified and measured as “financial assets at fair value” as either FVTPL or FVOCI, and “financial assets at amortized costs” as appropriate. The Consolidated Entity determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

All financial assets are recognised initially at fair value plus, in the case of financial assets not at FVTPL, directly attributable transaction costs of the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate (“EIR”) method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment

The Consolidated Entity recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or FVOCI.

The Consolidated Entity's management, using both historical analysis and forward-looking information, has evaluated its exposure to expected credit losses on its financial assets measured at amortized cost and concluded that the probability of default is minimal as all receivables were short-term and the counterparties to the receivables have a strong capacity to meet their contractual obligations in the near term. Therefore, allowance recognised for expected credit losses is insignificant.

Financial assets were classified as follows:

Classification	IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost FVTPL
- Trade and Other	
- Receivable of Digital Assets from Exchange	

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3. Significant accounting policies (continued)

Financial Instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL, as is the case with derivative instruments, or the Company as opted to measure the financial liability at FVTPL. All financial liabilities are recognised initially at fair value, and where applicable net of directly attributable transaction costs.

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled, or expires with any associated gain or loss recognised in other income or expense in the statement for profit or loss.

Financial liabilities were classified as follows:

Classification	IFRS 9
Trade and other payables	Amortized cost
Other borrowings	Amortized cost
Convertible notes	Amortized cost
Derivative liability	FVTPL
Deferred consideration	Amortized cost

Convertible notes

On October 16 2022, Banxa Holdings Inc. issued convertible notes to Lind Partners. Convertible notes are separated into liability, derivative liability and equity components based on the terms of the contract. On 30 April 2023, the fair value of the derivative liability is determined for inception and quarter. This amount is measured at FVTPL. Changes in the fair value of the derivative liability is charged to operations.

The remainder of the proceeds is allocated to the debt host that is classified as a financial liability measured at amortized cost (net of transaction costs) until it is extinguished on conversion or redemption.

Provisions

Provisions are recognised when the Consolidated Entity has a present (legal or constructive) obligation as a result of a past event, it is probable the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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3. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Foreign currency translation

The Consolidated Entity's consolidated financial statements are presented in Australian dollar, which is also BTC's functional currency. For each entity, the Consolidated Entity determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

Foreign currency transactions and balances

Foreign currency transactions in currencies other than their functional currencies are translated into their functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Banxa Holdings Inc.

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3. Significant accounting policies (continued)

Revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognized at an amount that reflects the consideration to which the Consolidated Entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Consolidated Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Judgment is required in determining whether the Consolidated Entity is the principal or the agent in transactions between customers. The Consolidated Entity evaluates the presentation of revenue on a gross or net basis based on whether it controls the cryptocurrency provided before it is transferred to the customer (gross) or whether it acts as an agent by arranging for other customers on the platform to provide the cryptocurrency to the customer (net). The key revenue activities of the consolidated entity are on-ramping activities disclosed as commissions and spread from services and off-ramping activities disclosed as sale of cryptocurrencies.

In respect of commissions and spread under an agency arrangement, the Consolidated Entity does not control the cryptocurrency being provided before it is transferred to the buyer, and therefore does not have inventory risk related to the cryptocurrency. The Consolidated Entity also does not set the price for the cryptocurrencies as the price is a market rate established by the platform. As a result, the Consolidated Entity acts as a facilitator for a customer to purchase cryptocurrencies from another customer.

Sale of cryptocurrencies

For the sales of cryptocurrencies on a principal basis, revenue is recognized at the point in time when the Consolidated Entity has delivered the cryptocurrencies to its customers' wallet accounts. The Consolidated Entity has control of the cryptocurrencies either in its custody or with the exchanges prior to the sale to the customers. Accordingly, the Consolidated Entity records the total value of the sale as revenue and the corresponding cost of the cryptocurrencies in the cost of sales.

Commissions and spread from services

Revenue from commissions and spread is a single performance obligation to provide a payment channel service when customers buy cryptocurrencies on the Consolidated Entity's proprietary platform. The Consolidated Entity considers its performance obligation satisfied, and recognizes revenue, at the point in time the transaction is processed. Commission is calculated as a fixed percentage of the total transaction value on agency transactions. In addition to a commission, the Consolidated Entity earns a spread, which is also calculated as a percentage of the total transaction value on agency transactions, based on custom pricing with certain customers.

For the sales of cryptocurrencies on an agency basis, the Consolidated Entity does not have control of the cryptocurrencies and so revenue is recognised at the point in time when the Consolidated Entity has processed the customer transaction. By selling on agency basis, the Consolidated Entity is only acting as a payment channel service provider and so the single performance obligation is satisfied when the transaction has been processed. The Consolidated Entity records commission and spread as the sale.

Integration services

The Group provides a service of installation of its payment technologies to trading platforms. Such services are recognized as a performance obligation satisfied over time. Revenue is recognized for these installation services based on the stage of completion of the contract. The directors have assessed that the stage of completion determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations.

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3. Significant accounting policies (continued)

Government grants

Government grants are recognised when they are received or when the right to receive payment is established.

Government grants are recognised in the consolidated statements of profit or loss and other comprehensive income on a systematic basis over the periods in which the Consolidated Entity recognises as expenses the related costs for which the grants are intended to compensate. Government grants are included in other income. No government grant were included in the FY23 Q2 financials.

Share-based compensation

The Company has a share-based compensation plan that is described in note 16. The Company accounts for share-based payments using the fair value-based method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche of options issued to employees and others providing similar services is determined by using the Black-Scholes option pricing model. The fair value of each tranche of options issued to non-employees is determined by the fair value of the goods or services received. If the fair value of goods or services received cannot be reliably measured, then the Black-Scholes option pricing model is used.

The fair value of stock options, adjusted for expected forfeitures, is recognised as share-based compensation over each tranche's vesting period with an offsetting credit charged to contributed surplus. Any consideration paid on the exercise of stock options is credited to share capital.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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3. Significant accounting policies (continued)

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

In Australia, BTC and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Australian tax consolidation regime. BTC and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, BTC also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Banxa Holdings Inc.

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3. Significant accounting policies (continued)

Goods and services tax ("GST") and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated (Australian) GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Segment information

Operating segments are defined as components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance of the operating segments of an entity. The Consolidated Entity conducts its business as one operating segment. The Consolidated Entity maintains offices in Australia, North America, and Europe. Revenue by geographic region is included in note 21.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer and financial statements has been prepared in accordance with IFRS8- 'Operating segment'.

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4. Trade and other receivables

	31 December 2022	30 June 2022
	(\$)	(\$)
Payment gateway receivables ⁽¹⁾	4,033,052	1,822,545
Allowances for chargeback expenses (note 4.1)	(325,015)	(350,357)
Payroll tax credit	505,579	505,579
GST receivable	-	157,738
Receivables from trading exchanges (note 4.2)	3,180,317	594,606
Other receivables	344,058	36,823
Sundry deposit denominated in USD Tether	22,005	-
Total trade and other receivables	7,759,996	2,766,934

⁽¹⁾ Q2 2023, payment gateway receivables includes Dlocal account

If a customer is suspected of making a fraudulent transaction or claims a chargeback, suitable allowances are set aside for all receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The change in the allowance for chargeback expenses is detailed below:

4.1 Allowances for chargeback expenses

	31 December 2022	30 June 2022
	(\$)	(\$)
Balance at beginning of the period	(350,357)	(432,246)
Change in allowance, other than write-offs and recoveries	(49,818)	(311,755)
Write-offs of trade receivables	75,160	393,644
Balance at end of the period	(325,015)	(350,357)

4.2 Receivables from trading exchanges represents the fair value of the digital and fiat currencies held at exchanges or with custodians.

Receivables from trading exchanges are made to facilitate the Consolidated Entity's ability to transact more efficiently at various trading volumes. The Consolidated Entity maintains amounts in digital currencies with exchanges from time to time in connection with the sale of cryptocurrencies in the ordinary course of business. The Consolidated Entity actively trades cryptocurrencies, purchasing them with a view to their resale in the near future and generating profit from fluctuations in the price or trader's margin.

As there is no specific guidance in IFRS on cryptocurrencies held at exchanges or with custodians, the Consolidated Entity followed the requirements of "IFRS 9 Financial Instruments" for these assets held with LPs and measures them at fair value on initial recognition and subsequently at Fair Value through Profit & Loss [FVPL] as these balances are not held by Banxa within a business model whose objective is to hold them to collect contractual cash flows and/or sell them only but to facilitate Banxa's ability to transact more efficiently at various trading volumes in connection with the sale of cryptocurrencies in the ordinary course of business and the contractual terms with these LPs do give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Accordingly, these receivables in digital currencies with exchanges are measured at fair value less cost to sell, in accordance with the accounting policy for inventories.

Management considers the fair value of receivables from trading exchanges to be either a Level 1 or a Level 2 input under IFRS 13 fair value hierarchy. There has been no change to the valuation technique during the year.

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4.2 Trade and other receivables (continued)

As at 31 December 2022 and 30 June 2022, receivables from trading exchanges held at exchanges, or with custodians, consisted of the following:

	31 December 2022		30 June 2022	
	Number of coins held	Value (\$)	Number of coins held	Value (\$)
Digital and fiat currencies held at exchanges or with custodians				
LTC	75.42	8,239	97.60	7,580
Link	95.43	788	-	-
BNB	2.99	1,079	0.48	450
BTC	0.62	15,178	0.30	11,562
ETH	4.52	8,030	8.22	13,307
Cash	-	1,102,228	-	33,755
USDT	746,191	1,094,305	390,470	565,651
USDC	70,488	103,379	7,306	10,596
XRP	15,996	8,165	15,973	7,825
WBTC	0.05	1,167	0.18	5,118
SHIB	79,905,460	949	-	-
Other	1,243,931	917,035	390,419	50,568
Total digital and fiat currencies held at exchanges or with custodians		3,260,542		706,412
Provision for collectability		(80,225)		(111,806)
Receivables from trading exchanges		3,180,317		594,606

The expense during the year is presented as part of "chargeback expenses" in the general and administration expenses (refer note 22).

5. Inventories

	31 December 2022	30 June 2022
	(\$)	(\$)
Cryptocurrencies held for resale	295,765	883,885
	295,765	883,885

Cryptocurrencies are measured at fair value less cost to sell in accordance with the Consolidated Entity's accounting policy for cryptocurrencies and in accordance with IAS 2.

Management considers the fair value of inventories to be a Level 2 input under IFRS 13 Fair Value Measurement ("IFRS 13") fair value hierarchy.

There has been no change to the valuation technique during the year.

The Consolidated Entity's realized gain or loss on inventories is calculated as the proceeds received from the sale of cryptocurrencies less its assigned original cost. Subsequent to initial recognition at cost, the cryptocurrencies are held at fair value less costs to sell. Changes in value of cryptocurrencies are included in profit and loss for the period.

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6. Prepaid

	31 December 2022 (\$)	30 June 2022 (\$)
Insurance	93,853	80,914
Consultancy Fees	-	17,040
Other operational expenses	385,442	366,378
	479,295	464,332

7. Intangible Assets

	31 December 2022 (\$)	30 June 2022 (\$)
Goodwill	151,643	151,643
	151,643	151,643

During the quarter ended 31 December 2022, the Consolidated Entity determined that there is no impairment of the goodwill arising from the European acquisition which occurred during the year ended 30 June 2020. The recoverable amount of the goodwill is determined on the basis of value in use calculations of a Cash Generating Unit (CGU), being the European operation. The Consolidated Entity has determined that the recoverable amount calculations are most sensitive to changes in the following assumptions:

- assumptions in respect of continued growth in total transaction volume;
- expected average EBITDA of 0.30% (30 June 2022: 0.30%);
- terminal growth rate equal to CPI; and
- a discount rate of 30% (30 June 2022: 30%).

8. Property, plant, and equipment

	31 December 2022 (\$)	30 June 2022 (\$)
Fixtures and fittings at cost	203,555	203,555
Less accumulated depreciation	(80,237)	(55,800)
Carrying amount of fixtures and fittings	123,318	147,755
Computer equipment at cost	103,705	103,705
Less accumulated depreciation	(103,705)	(103,705)
Carrying amount of computer equipment	-	-
Leasehold Improvements	463,512	463,512
Less accumulated depreciation	(173,817)	(116,190)
Carrying amount of leasehold improvements	289,695	347,322
Total property, plant and equipment	413,013	495,077

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8. Property, plant, and equipment (continued)

	31 December 2022 (\$)	30 June 2022 (\$)
Fixtures and fittings		
Carrying amount at beginning of year	147,755	5,241
Additions	-	198,314
Disposals	-	-
Depreciation expenses	(24,437)	(55,800)
Exchange differences	-	-
Carrying amount at end of year	123,318	147,755
Computer equipment		
Carrying amount at beginning of year	-	30,003
Additions	-	-
Disposals	-	(16,646)
Depreciation expenses	-	(13,357)
Exchange differences	-	-
Carrying amount at end of year	-	-
Leasehold improvements		
Carrying amount at beginning of year	347,322	-
Lease Incentive	-	-
Additions	-	463,512
Disposals	-	-
Depreciation expenses	(57,627)	(116,190)
Exchange differences	-	-
Carrying amount at end of year	289,695	347,322
Total property, plant and equipment	413,013	495,077

9. Right-of-use assets

	31 December 2022 (\$)	30 June 2022 (\$)
Buildings: Right-of-use		
Net carrying amount at the beginning of the period	763,399	-
Additions	-	1,033,022
Disposals	-	-
Less: Depreciation expense for the period	(129,128)	(269,623)
Net carrying amount at the end of the period	634,271	763,399

The Consolidated Entity leases a building for its Melbourne office under a four-year agreement with an option to extend for another four years. The lease has various escalation clauses. The lease does not contain any variable lease payment terms.

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10. Other Deposits -Bank Guarantee

	31 December 2022	30 June 2022
	(\$)	(\$)
Bank Guarantee	252,758	505,516
Total Bank Guarantee	252,758	505,516

Out of the previous bank guarantees paid as a Tenant security deposit for the new office premises, a bank guarantee amounting to \$252,758 was redeemed on 29 August 2022 as requested by the landlord.

11. Trade and other payables

	31 December 2022	30 June 2022
	(\$)	(\$)
Trade payables	1,232,824	910,969
Employee withholdings payable	475,050	1,582,258
Other payables and accruals ⁽¹⁾	2,085,702	3,126,844
Provision for legal settlements	100,000	100,000
Other	40,108	-
Total trade and other payables	3,933,684	5,720,071

⁽¹⁾Includes accrued interest for Lind Convertible note

12. Borrowings

	31 December 2022	30 June 2022
	(\$)	(\$)
Loans from director – unsecured, non-interest bearing	-	-
Loan other	4,000,000	-
	-	-
Less current portion	(4,000,000)	-
Borrowings – non-current	-	-

During the year ended 30 June 2022, Global Internet Ventures Pty Ltd ("GIV"), a Company subsidiary, entered into loan agreements with each of Apollo Capital Management Pty Ltd ("Apollo") \$2,000,000. The revolving credit facility with Apollo accrues interest at the rate of 30% per annum . Apollo facilities is in place until 30 November 2024.

The Company's subsidiary, BTC Corporation Pty Ltd. ("BTC"), entered into an unsecured loan agreement with TIGA Trading Pty Ltd. ("Thorney") pursuant to which Thorney will provide BTC with a revolving credit facility in the principal sum of up to AUD\$2 million, the credit facility with Thorney accrues interest at the rate of 19.99% per annum (calculated daily) and the loan matures on August 20, 2023. The company will issue Thorney 100,000 3-year warrants with a strike price of CAD\$1 as part of the loan facility.

During the quarter ended 31 December 2022, the company recognise the revolving facility with Apollo and withdrew an amount of \$2,000,000. The amount was repaid on 9 Jan 2023. The amount of \$2,000,000 was withdrawn from TIGA facility during this period and was repaid on 3 Jan 2023. The drawn amounts of revolving credit facility with Apollo and TIGA remains at \$2,000,000 and \$2,000,000 respectively as of 31 December 2022.

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.

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13. Convertible note

In October 2022, the Company issued a convertible note totalling \$3,500,000CAD, bearing interest at 10% per annum (accruing monthly and payable starting May 16, 2023) for a duration of two years. The face value of the convertible note is \$4,200,000CAD, and maturing after the face value of the convertible security is fully repaid. The principal of the security is convertible, at the option of the holder, to common shares of Banxa at a price of \$1.27CAD, and the accrued interest is convertible, at the option of the holder, equal to 85% of market share on the last trading date prior to relevant conversion. Upon issuance of the convertible note, the Company also issued 2,673,228 share purchase warrants. Each warrant entitles the holder to purchase one common share at a price of \$1.27CAD per share for a period of 24 months from the date of issuance of the convertible note.

The Company records the fair value of the conversion features as an embedded derivative separate from the host contract. The fair value of the derivative liabilities is revalued on each Statement of Financial Position date with corresponding gains and losses recorded in profit or loss. The Company uses a derivative valuation technique to fair value the components of the hybrid contract on initial recognition, including the debt component, the embedded derivative, and the warrants. The following significant inputs and assumptions were used in the model:

	31 December 2022	16 October 2022
Expected term (years)	2.16%	2.37
Risk-free interest rate	4.02%	4.11%
Expected volatility	100%	100%
Dividend yield	0.00%	0.00%
Estimated forfeitures	0.00%	0.00%

The following table presents the Company's embedded conversion features of its convertible debt measured at fair value on a recurring basis as of December 31, 2022, determined based on "Level 3" inputs.

	Derivative (\$) CAD	Derivative (\$) AUD
Initial issuance at October 16, 2022	407,956	441,923
Net changes in fair value included in net loss	(215,707)	(233,667)
Balance at December 31, 2022	192,249	208,256

The debt component of the convertible debenture is subsequently measured at amortized costs. The following table presents the debt component of the convertible debt measured at its fair value on initial recognition of \$2,018,567CAD and subsequently carried at amortized cost using the interest rate of 69.3% per annum over the 28 months period. As of December 31, 2022, the total accrued interest was \$72,877CAD.

Date	Beg. Balance (\$ CAD)	Additions (\$ CAD)	Interest Expense (\$ CAD)	Interest/ Accretion (\$ CAD)	Discount Amortization (\$ CAD)	End. Balance (\$ CAD)
Oct 16, 2022	-	2,018,567		-		2,018,567
Dec 31, 2022	2,018,567		301,473	(72,877)	22,596	2,247,163

Date	Beg. Balance (\$ AUD)	Additions (\$ AUD)	Interest Expense (\$ AUD)	Interest/ Accretion (\$ AUD)	Discount Amortization (\$ AUD)	End. Balance (\$ AUD)
Oct 16, 2022	-	2,186,634		-		2,186,634
Dec 31, 2022	2,186,634		326,573	(78,945)	24,477	2,434,262

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14. Provisions and Other liabilities

	31 December 2022	30 June 2022
	(\$)	(\$)
Annual leave	481,502	586,600
Long service leave	124,091	109,362
Balance at end of year	605,593	695,962
Current	562,295	632,309
Non-current	43,298	63,653
Balance at end of year	605,593	695,962
Other Liabilities	57	56
Total provisions and Other Liabilities	605,650	696,018

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. All amounts are presented as current liabilities.

15. Lease Liability

	31 December 2022	30 June 2022
	(\$)	(\$)
Balance at beginning of the period	1,176,323	-
New lease agreements – present value of lease liabilities	-	1,496,534
Lease payments made in the year	(207,842)	(402,600)
Accretion of interest	33,429	82,389
Balance at end of year	1,001,910	1,176,323
Lease liability – current portion	372,464	354,348
Lease liability – non-current portion	629,446	821,975
Total	1,001,910	1,176,323
Undiscounted future lease payments due:		
Within 1 year	422,453	415,683
After 1 year but not more than 5 years	657,851	872,463
After more than 5 years	-	-
Total	1,080,304	1,288,146

The average remaining lease period for the current leases is 30 months as of 31 December 2022 and 36 months as of 30 June 2022.

Low Value and Short-Term Leases

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones).

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Consolidated Entity had low-value lease expenses of \$1,203 (30 June 2022: \$674) and short-term lease expenses of \$32,992 (30 June 2022: \$103,091).

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16. Issued 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

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.

c) Prepaid shares

Amounts described below as prepaid shares represent amounts received during the previous financial year as part of a share subscription agreement with multiple investors in Singapore, for which 274 preference shares of special-purpose vehicle BTC Sing SPV Pte Ltd were issued. In December 2020, a total of 274 ordinary shares of BTC were issued to replace these preference shares.

d) Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, to meet the needs of ongoing operations, and to maintain a flexible capital structure which optimizes the cost of capital. The capital structure of the Company consists of equity comprised of issued share capital and reserves. The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues, or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

Number of common shares	31 December 2022	30 June 2022
Number of common shares at beginning of period	45,563,056	44,744,034
Stock options exercised	-	91,375
Warrants exercised	-	164,706
Private placement in April 2021	-	-
Common shares issued to placement advisors	-	-
Conversion of unsecured convertible note	-	492,941
Shares issued for services	-	70,000
Number of common shares at end of period	45,563,056	45,563,056

Issued capital	31 December 2022	30 June 2022
	\$	\$
Share capital at beginning of period	23,128,075	20,913,753
Proceeds from stock options exercised	-	40,528
Proceeds from warrants exercised	-	316,519
Shares issued on conversion of note	-	1,634,258
Shares issued for services*	-	223,017
Issued capital at end of period	23,128,075	23,128,075

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17. Equity- Reserves

	31 December 2022	30 June 2022
Foreign currency translation reserve	440,855	1,156,524
Contributed surplus	13,659,933	11,619,713
Total reserves	14,100,788	12,776,237

Foreign currency translation reserve

Foreign currency translation reserve represents exchange differences relating to the translation from the functional currencies of the Consolidated Entity's foreign operations into Australian dollars.

Contributed surplus

This reserve comprises private placement proceeds allocated to unexercised share purchase warrants, the value of warrants issued to advisers, unexercised stock options, as well as other share-based payment transactions that do not involve the issuance of shares.

18. Equity – accumulated losses

	31 December 2022	30 June 2022
Accumulated losses at the beginning of year	28,457,236	11,186,453
Net loss for the year	2,949,930	17,270,783
Accumulated losses at the end of the year	31,407,166	28,457,236

19. 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 December 2022, the aggregate maximum number of common shares issuable under the plan is 4,743,763 (30 June 2022: 4,483,138) 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 changes in the Company's share option activities for the years ended 30 June 2022 and 31 December 2022:

	31 December 2022		30 June 2022	
	Number of options	Weighted – average exercise price (\$C)	Number of options	Weighted – average exercise price (\$C)
Outstanding, beginning of the year	4,483,138	1.45	3,871,388	1.10
Granted	275,000	1.00	845,000	3.04
Expired	(14,375)	1.45	-	-
Cancelled/forfeited	-	-	(141,875)	2.13
Exercised	-	-	(91,375)	0.93
	4,743,763	1.43	4,483,138	1.45

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19. Stock options (continued)

During the year-ended 30 June 2022, 845,000 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;
- 1 December 2021: 150,000 options expiring 1 December 2025 with an exercise price of \$C 3.50;
- 5 April 2022: 65,000 options expiring 1 April 2026 with an exercise price of \$C 2.50;
- 19 April 2022: 100,000 options expiring 1 July 2026 with an exercise price of \$C 2.50; and
- 20 April 2022: 50,000 options expiring 1 April 2026 with an exercise price of \$C 2.50.

The fair value of the 845,000 options granted was determined as \$2,163,111 with \$843,527 included as a share-based payment expense in the year-ended 30 June 2022.

On 15 July 2022, the Company granted 275,000 share options to officers and staff of the Company. The options have an exercise price of \$C 1.00 per share and expire on 01 October 2026. The fair value of the 275,000 options granted was determined as \$231,149.

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

	Six months ended 31 December 2022	Year ended 30 June 2022
Share price	\$C 1.00 - \$C 1.00	\$C 2.40 - \$C 3.47
Exercise price	\$C 1.00 - \$C 1.00	\$C 2.50 - \$C 3.50
Risk-free interest rate	3.08%	0.78% - 2.74%
Expected term (in years)	4.0	4.0 - 4.3
Estimated dividend yield	0%	0%
Estimated volatility	137%	108% - 125%

The following table summarizes information regarding share options outstanding and exercisable as of 31 December 2022:

Outstanding				Exercisable	
Expiry Date	Number of options	Weighted-average remaining contractual life (years)	Weighted average exercise price (\$C)	Number of options	Weighted average exercise price – vested (\$C)
31 October 2023	48,000	0.8	0.47	48,000	0.47
01 April 2025	150,000	2.3	2.15	131,250	2.15
01 July 2025	100,000	2.5	3.00	75,000	3.00
01 October 2025	285,000	2.8	2.91	178,125	2.91
01 December 2025	150,000	2.9	3.50	75,000	3.50
22 December 2025	3,345,763	3.0	1.00	3,345,763	1.00
01 January 2026	175,000	3.0	3.50	87,500	3.50
01 April 2026	115,000	3.3	2.50	28,750	2.50
01 July 2026	100,000	3.5	2.50	25,000	2.50
01 October 2026	275,000	3.8	1.00	34,375	1.00
	4,743,763	2.8	1.43	4,028,763	1.27

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20. Warrants

The following is a summary of the changes in the Company's warrants for the period ended 31 December 2022 and 30 June 2022:

	31 December 2022		30 June 2022	
	Number of warrants	Weighted - average exercise price (\$C)	Number of warrants	Weighted - average exercise price (\$C)
Outstanding, beginning of the year	2,556,334	6.62	2,762,752	6.68
Granted	2,637,228	1.27	-	-
Expired	-	-	(41,712)	-
Cancelled/forfeited	-	-	-	-
Exercised	-	-	(164,706)	1.73
Total	5,193,562	3.90	2,556,334	6.62

During the quarter ended 31 December 2022, nil warrants (Year-ended 30 June 2022: 164,706) were exercised for proceeds of \$nil (Year-ended 30 June 2022: \$316,519)

21. Revenue

	Three months ended		Six months ended	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	(\$)	(\$)	(\$)	(\$)
<i>Sales revenue</i>				
Sales of cryptocurrencies	12,391,241	954,168	20,485,894	1,490,020
Integration revenue	635,224	(21,587)	703,539	(11,108)
Commissions and spread from services	6,845,242	27,038,956	12,460,225	38,561,862
Total sales revenue by type	19,871,707	27,971,537	33,649,658	40,040,774
<i>Geographic regions</i>				
Australia	4,593,294	3,608,527	7,863,666	5,593,018
North America	(2,715)	952,472	1,097,861	1,478,746
Europe	15,281,128	23,410,538	24,688,132	32,969,010
Total sales revenue by geographical region	19,871,707	27,971,537	33,649,659	40,040,774
<i>Timing of revenue recognition</i>				
Cryptocurrencies transferred at a point in time	12,391,241	954,168	20,485,894	1,490,020
Services transferred over time	635,224	(21,587)	703,539	(11,108)
Services transferred at a point in time	6,845,242	27,038,956	12,460,225	38,561,862
Total sales revenue by timing of recognition	19,871,707	27,971,537	33,649,658	40,040,774

- For quarter ended December 2022, sales of cryptocurrencies includes Fireblock and Metamask sale as principle. This is as result of the Consolidated Entity now evaluating the presentation of revenue on a gross or net basis based on whether it controls the cryptocurrency provided before it is transferred to the customer (gross) or whether it acts as an agent by arranging for other customers on the platform to provide the cryptocurrency to the customer (net). This approach is consistent with FY22 year end presentation.
- Principal revenues (control of inventory, therefore risk, therefore 100% of the sale transaction is treated as revenue) classified as 'off-ramping' services; and
- Agency transactions (no effective control of inventory, different risk profile, as Company is acting as agent only the net amount of the transaction is considered revenue) classified as 'on ramping' services

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22. Expenses

	Three months ended		Six months ended:	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	(\$)	(\$)	(\$)	(\$)
General, administration and other				
Bank charges	60,162	21,806	112,156	38,266
Chargeback expenses	(29,122)	693,551	75,160	1,733,887
Rental expense relating to operating leases	74,420	37,031	118,264	74,850
Travel	105,107	64,019	306,324	67,032
Software development	511,121	566,624	1,183,175	1,004,347
Legal, accounting, consulting	837,355	731,005	1,787,075	846,261
Marketing and advertising	8,444	332,836	(62,396)	697,889
Security audit	-	-	-	19,740
Investor relations	224,306	202,582	453,667	505,631
Insurance	119,409	49,018	177,471	66,302
Donations	0	25,000	6,766	-
Recruitment	77,432	-	88,347	25,000
Other	296,101	108,109	454,923	276,808
Total general, administration and other	2,284,735	2,831,581	4,700,932	5,356,013
Finance costs				
Interest on loans and borrowings	392,713	180,744	423,644	251,404
Interest on lease liabilities	16,035	-	33,429	-
Total finance costs	408,748	180,744	457,073	251,404
Net foreign exchange losses				
Realised Foreign exchange (gains)/losses	188,273	2,678,462	518,745	2,706,523
Unrealised Foreign exchange (gains)/losses	(360,147)	1,188,261	(833,751)	1,132,139
Total Foreign exchange (gains)/losses	(171,874)	3,866,723	(315,006)	3,838,662
Realised loss on fair value of derivative liability	-	-	-	(136,866)
Unrealised loss on fair value of derivative liability	241,745	-	241,745	-

23. Loss per share

For the six months ended 31 December 2022 and 2021, basic and diluted loss per share has been calculated as follows:

	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	(\$)	(\$)	(\$)	(\$)
Net loss after tax	(1,456,856)	(1,895,620)	(2,949,930)	(3,239,907)
Basic weighted average number of common shares	45,563,056	45,386,031	45,563,056	45,278,506
Diluted weighted average number of common shares	45,563,056	45,386,031	45,563,056	45,278,506
Basic net loss per share	(0.03)	(0.04)	(0.06)	(0.07)
Diluted net loss per share	(0.03)	(0.04)	(0.06)	(0.07)

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the period and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the period. When a loss is incurred during the period, the exercise of stock options and share purchase warrants is considered to be anti-dilutive and basic and diluted loss per share are the same. There are no contingent assets and liabilities recognized and no contingent items impacted the calculation of basic and diluted loss per share.

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23. Loss per share (continued)

As at the year ended 31 Dec 2022, the basic and diluted weighted average number of common shares is 45,563,056 (31 Dec 2021 – 45,563,056). The basic and diluted net loss per share are \$0.03 for the period ended 31 Dec 2022 (31 Dec 2021 - \$0.06)

Diluted loss per share did not include the effect of the following items as they are anti-dilutive:

	31 December 2022	31 December 2021
Common stock options	4,743,763	4,303,138
Warrants for the purchase of common stock	5,193,562	2,698,046
Balance at end of period	9,937,325	7,001,184

24. Related party transactions

All related party transactions were measured at the amount of consideration established and agreed to by the related parties. All amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

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

	Three months ended		Six months ended	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	\$	\$	(\$)	(\$)
Salaries	995,186	581,626	2,012,368	547,386
Consulting fees including reimbursements at cost	203,175	106,926	295,754	111,714
Director's fees	98,316	119,501	177,174	91,011
Share-based compensation	298,734	363,773	815,958	530,853
Total	1,595,411	1,171,826	3,301,254	1,280,964

Key management personnel were not paid post-employment benefits, termination benefits, or other (non share-based) long-term benefits during the period ended 31 December 2022 (31 December 2021: nil)

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24. Related party transactions (continued)

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

	Three months ended		Six months ended	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
	\$	\$	(\$)	(\$)
Proceeds from loans for trade working capital ⁽¹⁾	3,000,000		5,000,000	-
	(1,000,000)			
Repayment of loans for trade working capital ⁽¹⁾			(3,000,000)	-
Proceeds of cryptocurrency loans for trade working capital ⁽²⁾	-	977,423	231,511	977,423
Repayments of cryptocurrency loans for trade working capital ⁽²⁾	-	(979,165)	(231,511)	(979,165)
Rental payments at cost ⁽³⁾	-	7,210	-	23,521
Sublease income	-	7,440	-	7,440
Interest paid to related parties ⁽¹⁾	-	69,698	27,361	69,698
Proceeds from loans received from directors		-	498,500	
Repayments of loans to directors	(300,000)	-	(498,500)	-
Purchase of crypto currency from director	(356)	-	(556)	29,507
Sale of cryptocurrencies (transaction value)	6,396,535	41,999	6,396,535	41,999
Payment for cryptocurrencies (transaction value)	(6,396,535)	-	(6,396,535)	-
Total	1,699,644	124,605	2,026,805	170,423

⁽¹⁾ The loan was received from an entity which is related to the group through a director. These were short term revolving facilities (less than 30 days settlement) and the interest rate was 30%.

⁽²⁾ The cryptocurrency loans were received from a Director of the Company

⁽³⁾ These charges incurred with a company controlled by a Director of the Company

(c) As at 31 December 2022, included in trade and other payables is a balance of \$1,774 (30 June 2022: \$9,778) payable to related parties as follows:

	31 December 2022	30 June 2022
	(\$)	(\$)
Directors of the Company	1,774	9,410
Officers of the Company	-	368
Total	1,774	9,778

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

Classification of financial instruments

The following table sets out the financial instruments at the end of the reporting period:

	31 December 2022	30 June 2022
	(\$)	(\$)
Financial assets at amortised cost		
Cash	7,633,277	9,364,013
Trade and other receivables	4,579,679	1,509,011
Financial assets at FVTPL		
Receivables with exchanges (fiat currencies)	3,180,317	594,606
Sub-total	15,393,273	11,467,630
Financial assets at FVTOCI		
Other assets	750,000	-
Sub-total	750,000	-
Total	16,143,273	11,467,630

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25. Nature and extent of risk arising from financial instruments and digital assets (continued)

Classification of financial instruments (continued)

Financial liabilities at amortised cost

Trade and other payables	3,933,684	5,720,071
Convertible notes	2,642,518	
Borrowings	4,000,000	-
Total	10,576,202	5,720,071

Risk management policy

In the normal course of business, the Consolidated Entity 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 Consolidated Entity, Management takes steps to avoid undue concentrations of risk. The Consolidated Entity manages the risks as follows:

Credit risk

The Consolidated Entity has credit risk in respect of both financial instruments and crypto-currency 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, 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. There is a liquidity management function within the business, which on a daily or more frequent basis manages and monitors the trading activities and volumes associated with amounts deposited with trading exchanges.

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.

The Consolidated Entity deems these procedures necessary as some trading exchanges are unregulated and not subject to regulatory oversight. Furthermore, trading exchanges may engage in the practice of commingling with clients' assets in exchange wallets. When crypto assets are commingled, transactions are not recorded on the applicable blockchain ledger but are only recorded by the exchange, potentially reducing the integrity of the data.

As at 31 December 2022, the Consolidated Entity held Receivables from trading exchanges of \$3,180,317 (30 June 2022: \$594,606). These amounts represent balances with exchanges or custodians that do not have system or organization control reporting available.

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.

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 December 2022, the Consolidated Entity does not expect any material unprovided loss of any of its digital assets.

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25. Nature and extent of risk arising from financial instruments and digital assets (continued)

Liquidity risk

Vigilant liquidity risk management requires the Consolidated Entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and (where required) 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 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 Consolidated Entity's lease liabilities is detailed below.

31 December 2022	2023	2024	2025	2026	Thereafter
	\$	\$	\$	\$	\$
Commitment - operational					
Trade payables	1,232,822	-	-	-	-
Accrued wages and other	475,050	-	-	-	-
Commitments - other					
Lease payments	207,842	429,224	443,239	-	-
Total contractual obligations	1,915,714	429,224	443,239	-	-

30 June 2022	2023	2024	2025	2026	Thereafter
	\$	\$	\$	\$	\$
Commitment - operational					
Trade payables	910,969	-	-	-	-
Accrued wages and other	1,582,258	-	-	-	-
Commitments - other					
Lease payments	415,683	429,224	443,239	-	-
Total contractual obligations	2,908,910	429,224	443,239	-	-

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 other price risk, such as equity price risk and commodity risk.

Interest rate risk

The Consolidated Entity has no debt outstanding at 31 December 2022 that is exposed to interest rate risk (30 June 2022: nil).

Foreign currency risk

The Consolidated Entity undertakes certain 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.

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25. Nature and extent of risk arising from financial instruments and digital assets (continued)

Foreign currency risk (continued)

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

	Assets		Liabilities	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Consolidated	\$	\$	\$	\$
US Dollars	10,003,517	17,440,464	72,706	20,750
Euros	515,912	2,512,613	226,644	2,022,850
Pound sterling	(393,061)	1,286,897	2	271,929
Singapore Dollar	-	-	-	20,340
Canadian Dollars	182,253	3,172,250	2,244,048	449,481
	-	-	-	2,545
Philippine peso		-	-	-
	157,884			
Turkish Lira		-		
	10,466,505	24,412,224	2,543,400	2,787,895

The Consolidated Entity had net assets denominated in foreign currencies of \$ 7,923,105 (assets of \$10,466,505 less liabilities of \$2,543,400) as at 31 December 2022 (31 December 2021: net assets of \$21,624,329 (assets of \$24,412,224 less liabilities of \$2,787,895)). 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 year would have been \$792,310 lower/\$ 396,155 higher (2021: \$2,162,433 lower/\$1,081,216 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 6 months each year and the spot rate at each reporting date. The realised foreign exchange loss for the period ended 31 December 2022 was \$518,745 (31 December 2021: gain of \$2,706,523) [Refer Note 22].

Digital asset risks

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.

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26. 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

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2022				
<i>Assets</i>				
Inventories	-	295,765	-	295,765
Receivables from trading exchanges held in cryptocurrency and Tether	-	3,260,542	-	3,260,542
Other assets (Investments)	-	-	750,000	750,000
Total Assets	-	3,556,307	750,000	4,306,307
<i>Liabilities</i>				
Derivative liability	-	-	2,642,518	2,642,518
Total Liabilities	-	-	2,642,518	2,642,518
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2022				
<i>Assets</i>				
Inventories	-	883,885	-	883,885
Receivables from trading exchanges held in cryptocurrency and Tether	-	706,412	-	706,412
Other assets (Investments)	-	-	-	-
Total Assets	-	1,590,297	-	1,590,297
<i>Liabilities</i>				
Total Liabilities	-	-	-	-

There were no transfers between levels during the financial year.

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. This valuation technique maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Receivables from trading exchanges in cryptocurrencies and Tether (note 4.2) and inventories (note 6) [collectively, the "digital assets"] are measured at fair value using Level 1 or Level 2 inputs. 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 period ended 31 December 2022, management's estimate of the effect on loss before tax of a +/- 15% (FY2022: 15%) change in the market price of the Consolidated Entity's digital assets, with all other variables held constant, is +/- \$ 645,946.09 (FY2022: +/- \$238,544.55).

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27. Disposal of assets

On 14 September 2022, the Company sold three of its non-core domain names: website assets - coinloft.com.au, buyabitcoin.com.au and the premium domain - bitcoin.com.au (domain names formerly part of Banxa's B2C (business to consumer) offering before the company refocused its business to serve the B2B (business to business)) to one of Australia's leading cryptocurrency exchanges, Independent Reserve Pty Ltd. (company No.: 164257069).

The carrying value of the domain names at the date of disposal was nil.

The total consideration for the sale of domain names was AUD 3.3 million (USD \$2 million), AUD 2.25 million being settled in cash (amount receivable and remaining AUD 0.75 million settled by receiving 53,427 number of equity shares in Independent Reserve Pty Ltd.

Total considerations Including GST (excluding GST is \$3m) 3,300,000

• Settled in shares (53,427 shares)	(750,000)
• Settled in cash on 16 Sep 2022	(1,125,000)
• Settled in cash on 7 Oct 2022	(1,125,000)

The gain on disposal is included under other income in the statement of income.

The investment in Independent Reserve Pty Ltd is \$750,000, recognised as FVTOCI and included under "Other Assets" in the Balance Sheet as on 31 December 2022.

28. Contingent assets

There are no contingent assets as at 31 December 2022 and 30 June 2022.

29 Contingent liabilities

In the ordinary course of business, the company and its subsidiaries may be threatened with, named as defendants in, or made parties to pending and potential legal actions. The company does not believe that the ultimate outcome of these will have a material effect upon our financial position, results of operations or cash flows.

There are no contingent liabilities as at 31 December 2022 and 30 June 2022 and there are no outstanding litigations at the yearend that will give rise to a contingent liability.

30 Subsequent events

As of 31 December 2022, the Company holds 14 approved MTLs (money transmitter licenses) in the United States, with number increasing to 21 MTL by 30 April 2023.

On March 3, 2023, one of the Company's corporate Banks, Silvergate Capital Corporation ("Silvergate Bank"), announced intent to wind down operations and voluntarily liquidate Silvergate Bank. As of April 6, 2023, the Company notes that it successfully recovered all assets held in Silvergate Bank accounts.

On 7 February 2023, BANXA Holdings Inc has announced an integration with ConsenSys' leading self-custody Web3 wallet, MetaMask, to simplify on-and-off ramping fiat to crypto. On top of global users being able to purchase crypto through standard methods such as credit cards and Apple Pay, Banxa said the partnership will now allow MetaMask users in Canada to purchase crypto through the interbank network Interac with less friction. In addition, the company said MetaMask users in the Netherlands, Australia, South Africa, and Turkey will gain new access to Banxa's crypto on-ramps through local banking infrastructure. This integration is launched on the MetaMask mobile app at first and made available for extension (web) users in April 2023.

On 24 March 2023, Buzz Developments Inc and BTC Corporation Holdings Pty Ltd entered into loan agreement for the amount of USDC\$1,500,000 at 25% interest rate per annum. Terms of the loan specifies that The Borrower must only apply the Loan Amount for liquidity / working capital purposes. The term of this Agreement is for six (6) months from the Agreement Date (i.e., the Loan must be repaid by the Borrower to the Lender within six (6) months from the Agreement Date). The Borrower is permitted to repay the Loan at any time after three (3) months from the Agreement Date.

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30 Subsequent events (continued)

In December 2022, the company granted 735,000 share options to officers and staff of the company. Share options were reorganised in month of January 2023. In February 2023, the company issued another 400,000-share option and cancelled 1,928,454 and 535,929 share options in the months of January and February 2023 respectively. 478,771 warrants expired in December 2022, were recognised in Q3 of FY23.

On 18 Jan 2023, entity recognised annual DNB fees of €310,510EUR. The DNB is the regulator in the Netherlands, and they charge an annual fee for their service. The DNB's fee applies to the EUIV entity only. The fee is calculated based on the commission earned by EUIV, includes spread EUIV earns, but excludes the gateway fees and network fees.

On April 24 and 25, amount of \$184,673 USD (250K CAD) and \$183,327 USD (250K CAD) respectively is paid to Lind partners for the convertible note. First 250K CAD is a 'fee' waiver agreement costs and second 250K CAD is a principle repayment for the convertible note.