BANXA HOLDINGS INC

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

(EXPRESSED IN AUSTRALIAN DOLLARS)
(UNAUDITED)

DATED: 27 February 2024

Table of Contents

Caution Regarding Forward-looking Statements	3
Company Overview	4
Non-IFRS Financial Measures – Adjusted EBITDA	6
Financial Performance Review	7
Liquidity and Capital Resources	20
Risks and Uncertainties	22
Non-Financial Measures	27
Critical Accounting Estimates	27
Changes in Accounting Policies	27
Controls and Procedures	27
Events after the reporting period	28

MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("**MD&A**") is current as of 27 February 2024 and presents an analysis of the financial condition of Banxa Holdings Inc and its subsidiaries (collectively referred to as "BANXA", "**BNXA**" or the "**Company**") as at and for the six months ended 31 December 2023 compared with the corresponding periods in the prior year. This MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements and the related notes thereto for the six months ended 31 December 2023.*

This MD&A is the responsibility of management and was approved by the Board of Directors after receiving the recommendation of the Company's Audit Committee.

Unless otherwise noted or the context indicates otherwise "we", "us", "our", the "Company" or "BNXA" refer to Banxa Holdings Inc. and its subsidiaries. The Company presents its consolidated financial statements in Australian dollars. Amounts in this MD&A are stated in Australian dollars unless otherwise indicated.

The Company's continuous disclosure materials, including interim filings, audited consolidated financial statement and annual information form can be found on SEDAR at www.sedar.com and on the Company's website at http://www.banxa.com/ .

Caution Regarding Forward-Looking Statements

This MD&A contains forward-looking statements that relate to the Company's current expectations and views of future events. In some cases, these forward-looking statements can be identified by words or phrases such as "outlook", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict" or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to the Company's expectations regarding its revenue, expenses and operations, key performance indicators, provision for loan losses (net of recoveries), anticipated cash needs and its need for additional financing, funding costs, ability to extend or refinance any outstanding amounts under the Company's credit facilities, ability to protect, maintain and enforce its intellectual property, plans for and timing of expansion of its product and services, future growth plans, ability to attract new members and develop and maintain existing customers, ability to attract and retain personnel, expectations with respect to advancement of its product offering, competitive position and the regulatory environment in which the Company operates, anticipated trends and challenges in the Company's business and the markets in which it operates, third-party claims of infringement or violation of, or other conflicts with, intellectual property rights, the resolution of any legal matters, and the acceptance by the Company's consumers and the marketplace of new technologies and solutions.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, any investors or users of this document should not placeundue reliance on these forward-looking statements.

Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors that are discussed in greater detail in the "Risk Factors" section of the Company's current annual information form available at www.sedar.com which risk factors are incorporated herein by reference.

The forward-looking statements made in this MD&A relate only to events or information as of the date of this MD&A and areexpressly qualified in their entirety by this cautionary statement. Except as required by law, we do not assume any obligation to update or revise any of these forward-looking statements to reflect events or circumstances after the date of this MD&A, including the occurrence of unanticipated events. A reader should review this MD&A with the understanding that our actual future results may be materially different from what we expect.

Company Overview

Formerly known as A-Labs Capital I Corp, BANXA Holdings Inc is a continuation of the business activities of BTC Holdings Pty Ltd. Banxa is an Australian/European/North American based payment service provider (PSP) and Reg-tech company focused on bridging the gap between traditional "mass market" legacy financial institutions and processes and the digital asset space. The Company commenced operations in March 2014 as a bitcoin miner and B2C business, before moving the business model into payment infrastructure and compliance systems to facilitate fiat/cash (currencies such as USD, AUD, CAD and EUR) to digital asset conversions with a focus on B2B business.

The Company has a payment gateway infrastructure that includes online payments across multiple currencies and payment types. With both global and local payment options, BANXA is also able to offer those payment and compliance rails to major crypto industry players. Global exchanges and wallets can utilize BANXA's B2B platform to offer their users a fast and reliant fiat to crypto conversion service (and vice versa) within our partner's platforms. They benefit from the extensive groundwork in countries where Banxa is represented in and compliance with local laws and international Anti Money Laundering / Know Your Client (AML/KYC) standards. This service allows our partners to focus on their crypto currency business without touching payments and fiat currency.

BANXA has built a strong position in the Australian market and, since the acquisition of EUIV in June 2020, has been focusing on international expansion and the exploitation of new growth markets.

The Company focuses on acting as a gateway between the traditional fiat currencies and cryptocurrencies, rather than competing with traditional open book cryptocurrency exchanges which facilitate crypto to crypto trading.

The irreversible nature of cryptocurrency transactions presents a unique challenge for platforms aiming to on-board users via traditional reversible fiat payment rails. This challenge is further increased by Anti-Money Laundering regulation coalescing globally to enforce consistent requirements for companies providing fiat-to-crypto and crypto-to-fiat conversion services.

BANXA earns revenue from the sale of crypto-currencies, commission fees and/or spread. It is therefore a "flow" based business, similar to international forex companies such as PayPal, TransferWise or Ant Financial and Australian forex company OFX.

BANXA, through its subsidiary Global Internet Ventures Pty Ltd, is a registered digital currency exchange provider with the Australian Transaction Reports and Analysis Centre (AUSTRAC), the peak government body for oversighting financial transaction compliance in Australia. BANXA's European subsidiaries are also registered in The Netherlands and Lithuania as well as with Fintrac in Canada.

BANXA's technology platform utilises Machine Learning and Liquidity Management, conducts Anti-Money Laundering (AML) and Know Your Customer (KYC) checks on all its customers and is in compliance with the local laws of the jurisdictions in which it operates.

B2B – FIAT Aggregator to the Digital Asset Industry

BANXA offers a conversion widget/API product to third parties who require fiat on- and off-ramps, allowing the Company to embed its product deeply into the crypto ecosystem. We stand out from competitors by offering B2B clients a variety of payment methods, currencies, managed AML compliance and crypto-chargeback expertise.

Overheads associated with providing fiat-to-crypto services are high for a single exchange, but by implementing economies of scale, BANXA is able to reduce marginal costs of these overheads and allow consumers to seamlessly switch between fiat and crypto at a small cost. Our fiat-to-crypto gateway addresses an existing market gap, and we believe that our conversion widget will be a key enabler for more adoption and continued growth.

BANXA further combines payment infrastructure, fraud detection and mitigation and regulatory compliance into a single product, which increases our clients' addressable market and reduces their customer acquisition cost. We protect our clients from chargebacks and are able to process conversion requests in as little as a few minutes depending on the selected payment method and individual compliance requirements.

(Expressed in Australian Dollars)

Non-IFRS Financial Measures – Adjusted EBITDA

This MD&A references adjusted EBITDA, which is a non-IFRS financial measure. Adjusted EBITDA is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to adjusted EBITDA presented by other companies. Rather, it is provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, adjusted EBITDA should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.
We use non-IFRS financial measures to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors, and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. There are certain limitations related to the use of non-IFRS financial measures versus their nearest IFRS equivalents. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on any non-IFRS financial measure and view it in conjunction with the most comparable IFRS financial measures. In evaluating non-IFRS financial measures, you should be aware that in the future we will continue to incur expenses similar to those adjusted in non-IFRS financial measures.

Adjusted EBITDA is a non-IFRS financial measure that we calculate as net loss before tax excluding depreciation and amortization expense, share based compensation expense, unrealized loss on inventory, finance expense, realized/unrealized gain on fair value of deposits & derivative liability, (gain)/loss on fair value of derivative, Unrealised exchange gain/loss, (gain)/loss on sale of capital asset and listing expenses. Adjusted EBITDA is used by management to understand and evaluate the performance and trends of the Company's operations. The following table shows a reconciliation of adjusted EBITDA to net loss before tax, the most comparable IFRS financial measure, for the six months ended 31 December 2023 and 2022: `

	Three months ended 31 Dec 2023	Three months ended 31 Dec 2022 (Restated)	**Six months ended 31 Dec 2023**	Six months ended 31 Dec 2022 (Restated)
	$	$	**$**	$
Loss before tax	**(867,082)**	(1,456,282)	**(2,998,719)**	(2,947,935)
Amortization and depreciation	**102,712**	105,752	**204,946**	211,192
Realised loss (gain) on fair value of deposits	**-**	-	**-**	(15,027)
Net gain on borrowings and derivative liability	**(494,197)**	(241,745)	**(476,315)**	(241,745)
Unrealised foreign exchange (gains)/losses	**(45,950)**	(360,147)	**349,515**	(833,751)
Share based compensation expense	**68,263**	298,027	**219,996**	815,958
Finance expense	**520,872**	408,748	**1,163,702**	457,073
Gain on sale of capital asset	-	-	-	(3,000,000)
Adjusted EBITDA	**(715,382)**	(1,245,647)	**(1,536,875)**	(5,554,235)

(Expressed in Australian Dollars)

Financial Performance Review

Revenue Recognition

In presenting the revenues of the group, the Company's accounting revenue recognition policy makes a distinction between:

- Principal revenues (control of inventory, therefore risk, therefore 100% of the sale transaction is treated as revenue); 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).

Restatement of comparative numbers

During the year ended June 30, 2023, management discovered two offsetting misstatements in accounting for revenue recorded during the period ended 31 December 2022.

Matter 1. Accounting for agency transactions.
The Company did not fully offset the cost of external fees charged by the Liquidity Providers and Merchants with the revenue, which resulted in overstatement of Revenue and Cost of Sales. The Company retrospectively updated the financial statements to correct the error. The restatement resulted in a decrease in Revenue and Cost of Sales.

Matter 2. Principal transactions accounted for as agency transactions.
The Company erroneously recognized a set of principal's sale transactions as agent's sales. Consequently, these transactions were presented on a net basis instead of a gross basis.

There was no impact on Gross profit and Net Loss from these corrections. The opening balance of the comparative statements of financial position, as well as Changes in Equity and Cash Flows were not affected by the adjustments.

The effect of the material restatement on the consolidated statement of profit or loss for the period ended 31 December 2022, is summarized below:

	31 Dec 2022 ($)	**Matter (1)** ($)	**Matter (2)** ($)	**31 Dec 2022 Restated** ($)
Sales of cryptocurrencies	20,485,894	-	4,691,312	25,177,206
Integration revenue	703,539		-	703,539
Commissions and spread from services	12,460,225	(4,896,364)	-	7,563,861
Total sales revenue by type	**33,649,658**	**(4,896,364)**	**4,691,312**	**33,444,606**
Australia	7,863,666	(794,887)	763,308	7,832,087
North America	1,097,860	(270,618)	260,314	1,087,556
Europe	24,688,132	(3,830,859)	3,667,690	24,524,963
Total sales revenue by geographical region	**33,649,658**	**(4,896,364)**	**4,691,312**	**33,444,606**
Cost of sales	(25,975,893)	4,896,364	(4,691,312)	(25,770,841)
Gross profit	**7,673,765**	**-**	**-**	**7,673,765**

(Expressed in Australian Dollars)

Revenue

Total revenues increased by $56,014,150 or 276% to $76,326,305 during the three months ended 31 December 2023 from $20,312,155 for the three months ended 31 December 2022, and by $128,435,941 to $161,880,547 during the six months ended 31 December 2023 from $33,444,606 for the six months ended 31 December 2022, as more revenue was recognised on a principal basis as we fulfil from non-custodial wallets. This reduces transaction costs and also reduces risk because we custody the digital assets.

The following table shows the breakdown of the different components of revenue for the periods discussed:

	Three months ended 31 Dec 2023	Three months ended 31 Dec 2022 (Restated)	**Six months ended 31 Dec 2023**	Six months ended 31 Dec 2022 (Restated)
	$	$	**$**	$
Sale of cryptocurrencies "Principal	**76,717,990**	15,075,330	**148,484,119**	25,177,206
Integration revenue	**184,405**	635,224	**754,657**	703,539
Commissions and spread from services "Agency"	**(576,090)**	4,601,601	**12,641,771**	7,563,861
Total revenue	**76,326,305**	20,312,155	**161,880,547**	33,444,606

For commission and spread from services "Agency", the Company did not fully offset the cost of external fees charged by the Liquidity Providers and Merchants with the revenue, which resulted in overstatement of Revenue and Cost of Sales in Q1 FY24. The Company retrospectively updated the financial statements in Q2 FY24. The adjustment of ($7,165,302) was posted in Q2 FY24-related to the previous quarter results. Commission and spread from services were $6,589,212 for quarter ending Dec 23.

The following table shows revenue by geographical regions:

	Three months ended 31 December 2023	Three months ended 31 December 2022	**Six months ended 31 December 2023**	Six months ended 31 December 2022
			$	$
Australia	**11,509,014**	4,671,058	**29,956,334**	7,832,087
North America	**11,806,231**	25,393	**22,126,335**	1,087,556
Europe	**53,011,060**	15,615,705	**109,797,878**	24,524,964
Total revenue	**76,326,305**	20,312,155	**161,880,547**	33,444,606

(Expressed in Australian Dollars)

Results of Operations

The following table sets forth a summary of our results of operations for the six months ended 31 December 2023 and 2022:

	Three months ended		Six months ended	
	31 Dec 2023	31 Dec 2022 (Restated)	**31 Dec 2023**	31 Dec 2022 (Restated)
	$	$	**$**	$
Revenue				
Revenue from sale of goods and services	**76,326,305**	20,312,155	**161,880,547**	33,444,606
Cost of sales and services	**(69,552,687)**	(15,442,530)	**(148,484,119)**	(25,770,841)
Gross profit	**6,773,618**	4,869,625	**13,396,428**	7,673,765
Operating expenses				
Employment expenses	**(4,404,024)**	(3,862,007)	**(8,503,292)**	(8,427,497)
Depreciation and amortisation	**(102,712)**	(105,752)	**(204,946)**	(211,192)
General, administration and other	**(2,615,640)**	(2,284,735)	**(5,587,133)**	(4,700,932)
Share based compensation	**(68,263)**	(298,027)	**(219,996)**	(815,958)
Total operating expenses	**(7,190,639)**	(6,550,521)	**(14,515,367)**	(14,155,579)
Operating loss before other items and income tax	**(417,021)**	(1,680,896)	**(1,118,939)**	(6,481,814)
Other items				
Realised gain on fair value of deposits (treasury coins)	**-**	-	**-**	15,027
Net gain on borrowings and derivative liability	**494,197**	241,745	**476,315**	241,745
Net foreign exchange gains/(losses)	**(423,386)**	171,874	**(1,212,317)**	315,006
Other Income	**-**	219,743	**19,924**	3,419,174
Finance expenses	**(520,872)**	(408,748)	**(1,163,702)**	(457,073)
Total other items	**(450,061)**	224,614	**(1,879,780)**	3,533,879
Loss before tax	**(867,082)**	(1,456,282)	**(2,998,719)**	(2,947,935)
Income tax benefit / (expense)	**(29,797)**	(574)	**(44,073)**	(1,995)
Net loss for the period	**(896,879)**	(1,456,856)	**(3,042,792)**	(2,949,930)
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign currency translation	**(488,293)**	(681,472)	**(430,801)**	(715,669)
Total comprehensive loss	**(1,385,172)**	(2,138,328)	**(3,473,593)**	(3,665,599)

(Expressed in Australian Dollars)

Key Income Statement Components

Revenue from sale of goods and services

The following table summarizes total revenue and breakdown by percent for the three months ended 31 December 2023 and 2022:

	Three months ended 31 Dec 2023		Three months ended 31 Dec 2022 (Restated)		
	$ Value of revenue stream	% of total revenue	**$ Value of revenue stream**	% of total revenue	**% Change**
Sale of cryptocurrencies "Principal"	**76,717,990**	**100.51%**	**15,075,330**	**74.22%**	**26.29%**
Integration revenue	**184,405**	**0.24%**	**635,224**	**3.13%**	**(2.89%)**
Commissions and spread from services	**(576,090)**	**(0.75%)**	**4,601,601**	**22.65%**	**(23.40%)**
Total revenue	**76,326,305**		**20,312,155**		

For commission and spread from services "Agency", the Company did not fully offset the cost of external fees charged by the Liquidity Providers and Merchants with the revenue, which resulted in overstatement of Revenue and Cost of Sales in Q1 FY24. The Company retrospectively updated the financial statements in Q2 FY24. The adjustment of ($7,165,302) was posted in Q2 FY24-related to the previous quarter results. Commission and spread from services were $6,589,212 for quarter ending Dec 23.

The following table summarizes total revenue and breakdown by percent for the six months ended 31 December 2023 and 2022

	Six months ended 31 Dec 2023		Six months ended 31 Dec 2022 (Restated)		
	$ Value of revenue stream	% of total revenue	**$ Value of revenue stream**	% of total revenue	**% Change**
Sale of cryptocurrencies "Principal"	**148,484,119**	**91.72%**	**25,177,206**	**75.28%**	**16.44%**
Integration revenue	**754,657**	**0.47%**	**703,539**	**2.10%**	**(1.63%)**
Commissions and spread from services	**12,641,771**	**7.81%**	**7,563,861**	**22.62%**	**(14.81%)**
Total revenue	**161,880,547**		**33,444,606**		

Commissions and spread from services – represent revenues from BNXA's business on an "Agency basis".
Sale of cryptocurrencies - represents revenues from BNXA's business operations on a "Principal basis".
Integration revenue - represents revenues from setup fees charged to partners.

Total revenues increased by $56,014,150 or 276% to $76,326,305 during the three months ended 31 December 2023 from $20,312,155 for the six months ended 31 December 2022. Total revenues increased by $128,435,941 or 384% to $161,880,547 during the six months ended 31 December 2023 from $33,444,606 for the six months ended 31 December 2022.

(Expressed in Australian Dollars)

Cost of sales and services

The following table summarizes the cost of revenue for the six months ended 31 December 2023 and 2022:

	Three months ended 31 Dec 2023	Three months ended 31 Dec 2022 (Restated)	**% Change**	**Six months ended 31 Dec 2023**	Six months ended 31 Dec 2022 (Restated)	**% Change**
	$	$		$	$	
Cost of sales and services	**(69,552,687)**	(15,442,530)	**350.40%**	**(148,484,119)**	(25,770,841)	**476.17%**
% of total revenue	**91.13%**	**76.03%**		**91.72%**	77.06%	

Movements in the percentage cost of sales achieved between periods are impacted by the sales mix between agency (net sales) and principal (gross sales) as discussed above. The Cost of sales and services for the six months ended 31 December 2022 increased from 77.06% for the prior year period to 91.72% of total revenue. Management considers the net "take rate" (refer below) a more meaningful measure of operating performance.

Gross margin on TTV and net take rate

The following table summarizes the gross margin on TTV for the six months ended 31 December 2023 and 2022 (TTV represents Total Transaction Value):

	Three months ended 31 Dec 2023	Three months ended 31 Dec 2022	**% Change**	**Six months ended 31 Dec 2023**	Six months ended 31 Dec 2022	**% Change**
	$	$		**$**	$	
TTV	**242,122,138**	**148,749,411**	**62.77%**	**443,987,213**	268,924,225	**65.10%**
Revenue	**76,326,305**	20,312,155	**275.77%**	**161,880,547**	33,444,606	**384.03%**
% of TTV	**31.5%**	**13.7%**		**36.46%**	12.44%	
Gross margin on TTV	**6,773,618**	4,869,625	**39.10%**	**13,396,428**	7,673,765	**74.57%**
% of TTV – "net take rate"	**2.72%**	**2.85%**		**2.85%**	2.59%	

Gross margin as a percentage of TTV, ("net take rate"), has increased approximately 0.26% from the six months ended 31 December 2022 to 31 December 2023.Following the year ended 30 June 2023, management identified a number of operational improvements which helped optimize the results achieved.

(Expressed in Australian Dollars)

Operating expenses

The following table provides the operating expenses for the six months ended 31 December 2023 and 2022:

	Three months ended 31 December 2023 $	Three months ended 31 December 2022 $	**% Change**	**Six months ended 31 December 2023 $**	Six months ended 31 December 2022 $	**% Change**
Employment expenses	**(4,404,024)**	(3,862,007)	**14.03%**	**(8,503,292)**	(8,427,497)	**0.90%**
Depreciation and amortisation	**(102,712)**	(105,752)	**-2.87%**	**(204,946)**	(211,192)	**-2.96%**
General, administration and other	**(2,615,640)**	(2,284,735)	**14.48%**	**(5,587,133)**	(4,700,932)	**18.85%**
Share based compensation	**(68,263)**	(298,027)	**-77.10%**	**(219,996)**	(815,958)	**-73.04%**
Total operating expenses	**(7,190,639)**	(6,550,521)	9.77%	**(14,515,367)**	(14,155,579)	**2.54%**
% of total revenue	**9.42%**	**32.25%**		**8.97%**	42.33%	

Amortization and depreciation

Amortization and depreciation expense relates to property, plant, and equipment and right of use assets. Depreciation of property, plant, and equipment assets includes fixtures and fittings of $17,185 (31 December 2022 - $24,437), computer equipment of $695 (31 December 2022 - $ Nil), and leasehold improvements of $57,939 (31 December 2022 - $57,627). Right-of-use assets had a depreciation of $129,127 (31 December 2022 - $129,128).

Employment expenses

Salary expenses increased by 14.03% or $542,017 to $4,404,024 for the three months ended 31 December 2023 from $3,862,007 for the three months ended 31 December 2022. Salary expenses increased by 0.9% or $75,795 to $8,503,292 for the six months ended 31 December 2023 from $8,427,497for the six months ended 31 December 2022. As at 31 December 2023 the Company had 149 employees (57 direct employees and 92 under service arrangements).

(Expressed in Australian Dollars)

General, administration, and other

The following table summarizes the general, administration, and other expenses for the six months ended 31 December 2023 and 2022:

	Three months ended			Six months ended		
	31 Dec 2023 ($)	31 Dec 2022 ($)	**% Change**	**31 Dec 2023 ($)**	31 Dec 2022 ($)	**% Change**
General, administration and other						
Bank charges	**163,222**	60,162	**171.30%**	**354,907**	112,156	**216.44%**
Chargeback expenses	**364,622**	(29,122)	**-1352.05%**	**432,911**	75,160	**475.99%**
Rental expense	**46,483**	74,420	**-37.54%**	**173,045**	118,264	**46.32%**
Travel	**(40,818)**	105,107	**-138.83%**	**49,624**	306,324	**-83.80%**
Software development	**546,788**	511,121	**6.98%**	**1,080,126**	1,183,175	**-8.71%**
Legal, accounting, consulting	**1,033,235**	837,355	**23.39%**	**2,369,642**	1,787,075	**32.60%**
Marketing and advertising	**10,881**	8,444	**28.86%**	**86,440**	(62,396)	**-238.53%**
Investor relations	**183,711**	224,306	**-18.10%**	**333,323**	453,667	**-26.53%**
Insurance	**137,624**	119,409	**15.25%**	**220,629**	177,471	**24.32%**
Donations	**-**	-	-%	**-**	6,766	**-%**
Recruitment	**49,968**	77,432	**-35.47%**	**184,827**	88,347	**109.21%**
Other	**119,924**	296,101	**-59.50%**	**301,659**	454,923	**-33.69%**
Total general, administration and other	**2,615,640**	2,284,735	**14.48%**	**5,587,133**	4,700,932	**23.00%**
% of total revenue	**3.43%**	11.25%		**3.45%**	14.06%	
% of TTV	**1.08%**	1.54%		**1.26%**	1.75%	

Foreign Exchange Gains or (Losses)

Foreign exchange loss for the three months ended 31 December 2023 of $ 423,386 (31 December 2022 – gain of $171,874) includes realized foreign exchange loss of $ 469,336 (31 December 2022 – loss of $ 188,273) and unrealized foreign exchange gain of $45,950 (31 December 2022 – gain of $360,147).

Foreign exchange loss for the six months ended 31 December 2023 of $1,212,317 (31 December 2022 – gain of $315,006) includes realized foreign exchange loss of $ 862,802 (31 December 2022 – loss of $518,745) and unrealized foreign exchange loss of $ 349,515 (31 December 2022 – gain of $833,751).

	Three months ended		Six months ended	
	31 Dec 2023	31 Dec 22	**31 Dec 2023**	31 Dec 22
	($)	$	**$**	$
Net foreign exchange losses				
Realised Foreign exchange (gains)/losses	**469,336**	188,273	**862,802**	518,745
Unrealised Foreign exchange (gains)/losses	**(45,950)**	(360,147)	**349,515**	(833,751)
Total Foreign exchange (gains)/losses	**423,386**	(171,874)	**1,212,317**	(315,006)
% of total revenue	**0.55%**	**-0.85%**	**0.75%**	**-0.94%**
% of TTV	**0.17%**	**-0.12%**	**0.27%**	**-0.12%**

(Expressed in Australian Dollars)

Foreign exchange loss of $1,212,317 includes realized foreign exchange loss of $862,802 mainly due to settlements from global payment processors and unrealized foreign exchange gain of $349,515 which is due the revaluation of the intercompany payment and receivables at the end of each month.

Other Items

The following table provides a breakdown of other income and (expenses) by type for the three and six months ended 31 December 2023 and 2022:

	Three months ended			Six months ended		
	31 Dec 2023 ($)	31 Dec 2022 ($)	**% Change**	**31 Dec 2023 ($)**	31 Dec 2022 ($)	**% Change**
Realised gain (loss) on fair value of deposits	**-**	-	**-**	**-**	15,027	
Net gain on borrowings and derivative liability	**494,197**	241,745	**104.43%**	**476,315**	241,745	**97.03%**
Other income	**-**	219,743		**19,924**	3,419,174	**-99.42%**
Foreign exchange gains (losses)	**(423,386)**	171,874	**-346.34%**	**(1,212,317)**	315,006	**-484.86%**
Finance expense	**(520,872)**	(408,748)	**27.43%**	**(1,163,702)**	(457,073)	**154.60%**
Total other items (losses)/gains	**(450,061)**	224,614	**-300.37%**	**(1,879,780)**	3,533,879	**153.19%**
% of total revenue	**-0.59%**	1.11%		**-1.16%**	10.57%	
% of TTV	**-0.19%**	0.15%		**-0.42%**	1.31%	

The one of the major item included in Other Items is foreign exchange gains (losses) of $1,212,317 for the six months ended 31 December 2023 (31 December 2022 – gain of $315,006).

Total other items decreased by $674,675 from the gain of $224,614 in the three months ended 31 December 2022 to the loss of $450,061 for the three months ended 31 December 2023. Total other items decreased by $5,413,659 from the gain of $3,533,879 in the six months ended 31 December 2022 to the loss of $1,879,780 for the six months ended 31 December 2023.

The other income decline from $3,419,174 in the six months ended 31 December 2022 to $19,924 for the six months ended 31 December 2023 is due to the sale in the prior year by the Company of 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.

Other items for the six months ended 31 December 2023 includes realized gain on fair value of deposits of $Nil (31 December 2022 - $15,027), Net gain on borrowings and derivative liability of $494,197 (31 December 2022 - $241,745), other income of $19,924 (31 December 2022 –$3,419,174) and finance expense of $1,163,702 (31 December 2022 - $457,073). Finance expense for period ending, 31 December 2023, includes Lind convertible note accreditation interest of $404,742 and interest on loans for amount of $734,136.

(Expressed in Australian Dollars)

Selected Quarterly Information

	Quarter ending 31.12.23	Quarter ending 30.09.23	Quarter ending 30.06.23	Quarter ending 31.03.23 (Restated)	Quarter ending 31.12.22 (Restated)	Quarter ending 30.09.22 (Restated)	Quarter ending 30.06.22 (Restated)	Quarter ending 31.03.22 (Restated)
	$	$		**$**	**$**	**$**	$	$
Total revenue	**161,880,547**	**85,554,242**	**25,489,106**	**21,417,920**	**20,312,155**	13,132,451	24,634,260	17,863,320
(Loss) / income from operations before other items and income tax	**(417,021)**	**(701,918)**	**(4,605,951)**	**847,170**	**(1,680,896)**	(4,800,918)	(10,394,668)	(2,658,715)
Net loss after tax	**(896,879)**	**(2,145,913)**	**(7,018,964)**	**608,539**	**(1,456,856)**	(1,493,074)	(9,096,832)	(4,934,044)
Comprehensive loss	**(1,385,172)**	**(2,088,421)**	**(6,555,648)**	**583,684**	**(2,138,328)**	(1,527,271)	(8,314,034)	(5,168,699)
Basic and diluted loss per common share	**(0.02)**	**(0.05)**	**(0.14)**	**0.01**	**(0.03)**	(0.03)	(0.18)	(0.12)

Key Quarterly Trends

Total revenue has increased during last quarter primarily due to more revenue being recognised on a principal basis.

Banxa's has delivered increasing total transactions value (TTV) each quarter, and over the last quarter it has delivered a loss from operations of $417,021 compared to a loss of $701,918 in the preceding quarter.

Key Balance Sheet Components

The following table provides a summary of the key balance sheet components as at 31 December 2023 and 30 June 2023:

	31 December 2023	30 June 2023
	$	$
Cash	**1,561,360**	8,258,814
Trade and other receivables	**11,007,001**	4,069,483
Cryptocurrency inventories	**320,154**	183,992
Prepaids	**512,644**	447,581
Property, plant & equipment	**376,016**	331,037
Right-of-use assets	**260,298**	505,143
Total assets	**16,726,105**	16,523,708
Trade and other payables	**7,334,002**	8,331,456
Borrowings	**6,982,057**	5,242,796
Lease liabilities	**629,446**	821,975
Total liabilities	**22,193,496**	18,737,502

Total assets decreased by $202,397 during the six months ended 31 December 2023, driven primarily by decreases in cash of $6,697,454 (refer Cash Flow section) and increases in trades and other receivables of $6,937,518. Total liabilities increased by $3,455,994 during the six months ended 31 December 2023,

Trade and other receivables

The following table provides a breakdown of trade and other receivables as at 31 December 2023 and 30 June 2023

	31 December 2023 ($)	30 June 2023 ($)
Payment gateway receivables	**9,732,697**	3,719,571
Allowances for chargeback expenses	**(539,637)**	(573,768)
GST receivable	**128,379**	265,659
Receivables from trading exchanges	**1,155,884**	164,948
Integration Fees	**482,884**	441,600
Sundry deposit denominated in USD Tether	**36,743**	37,639
Other receivables	**10,051**	13,834
Total trade and other receivables	**11,007,001**	4,069,483

Total trade and other receivables increased by $6,937,518 during the six months ended 31 December 2023.

Receivables from Payment gateway relate to all crypto buy transaction and the increase from 31 December 2023 over 30 June 2023 is due to significantly higher trading volumes in 31 December 2023 over June 2023 and timing differences on settlement dates year on year.

The majority of the payment gateway receivable represents sales that were made between Thursday 28th December to Sunday 31st December 2023 inclusive. Cash receipt of these sales was received by the 3 January 2024. The settlement of sales made payment processors is typically between 1 and 2 business days.

Due to a challenges with a banking partner in December 2023 the settlement of some international card transaction required Banxa to work with the payment processor directly to settle the receivable to another bank account. The full amount of the $9,732,697 payment gateway receivable owing at 31 December 2023 was received in January 2024.

Trade receivables includes receivables from exchanges including fiat held at exchanges or with custodians of $ 1,155,884 which are at call.

Inventory

The following table provides a breakdown of inventory as at 31 December 2023 and 30 June 2023:

	31 December 2023 $	30 June 2023 $
Crypto currency held for resale	**320,154**	183,992
Total Inventory	**320,154**	183,992

Crypto currency and liquidity inventories are measured at fair value less cost to sell in accordance with the Company's accounting policy for crypto currencies and in accordance with IAS 2 Inventories.

(Expressed in Australian Dollars)

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 period.

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.

	31 December 2023		30 June 2023	
	Number of coins held	**Value**	Number of coins held	Value
		$		$
Bitcoin (BTC)	**2.08**	**126,677**	1.27	58,546
Ethereum (ETH)	**15.43**	**47,574**	8.72	25,363
Loopring (LRC)	**34,823.53**	**15,265**	23,114	8,051
USD Coin (USDC)	**46,290.42**	**68,020**	9,851	14,833
Tether (USDT)	**32,833.87**	**49,865**	35,442	53,352
Other	**98,594.57**	**12,753**	287,598	23,847
Total inventory	**212,559.90**	**320,154**	356,015	183,992

Trade and other payables

The following table provides a breakdown of trade and other payables as at 31 December 2023 and 30 June 2023:

	31 December 2023 ($)	30 June 2023 ($)
Trade payables	**897,457**	1,156,255
Employee withholdings payable	**514,073**	262,539
Other payables and accruals[1]	**5,922,472**	6,912,662
Total trade and other payables	**7,334,002**	8,331,456

[1] *30 June 2023, includes Worldpay overpayment* and Income in advance ($793,206.8) for Integration fees

Borrowings

The following table provides a breakdown of borrowings as at 31 December 2023 and 30 June 2023:

	31 December 2023 ($)	30 June 2023 ($)
Borrowings - Current		
Convertible Note	**-**	3,553,334
Loan Other	**6,982,057**	5,242,796
Total Current	**6,982,057**	8,796,130
Borrowings – non-current		
Convertible notes	**6,318,003**	-
Total Non-Current	**6,318,003**	-
Total Borrowings	**13,300,060**	8,796,130

(Expressed in Australian Dollars)

During the period-ended 31 December 2023, BTC, a Company subsidiary, had a loan agreements with each of Checkout.com Australia Pty Ltd (Checkout), Buzz Development Inc. (Perion), Ari Last, Apollo Capital Pty Ltd (Apollo) pursuant to which Checkout, Perion, Ari Last and Apollo has provided BTC with a revolving credit facility in the principal sums of up to USD$1,000,000, USD$1,500,000, USD$400,000 and AUD$1,000,000 respectively. The revolving credit facility with Checkout, Buzz, Ari and Apollo accrues interest at the rate of 0.045% fronting fees compounded daily%, 25%, 25%, 25% and 30% per annum respectively. The company also entered into a loan agreement with Alam Group of Companies Inc. ("ALAM") pursuant to which ALAM provided BTC CAD$500,000 at 25% per annum.

During the period ended 31 December 2023 Banxa Holdings Inc. complete a non-brokered private placements (the "Private Placement") of convertible debenture units (the "Note Units") for gross proceeds of C$5,694,024. Each Note Unit consists of one unsecured convertible debenture (each, a "Note") and such number of common share purchase warrants in the capital of the Company (each, a "Warrant") equal to 40% of the number of common shares in the capital of the Company (each, a "Common Share") issuable upon conversion of the Note (as described below). Each Warrant will be exercisable for one Common Share at an exercise price of C$1.00 for a period of 36 months from the date of issuance.

In October 2022 the Company issued to the Investor a convertible debenture (the "Notes") for a total investment of $3,500,000 CAD (funding amount), bearing interest at 10% per annum (accruing monthly). The Notes is payable with equal installments of $194,444 starting May 16, 2023 until fully repaid. The principal of the security is convertible, at the option of the holder, to common shares of Banxa at a price of $1.27, and the accrued interest is convertible, at the option of the holder, equal to 85% of market share price on the last trading date prior to relevant conversion. In addition, Banxa issued to the Investor 2,673,228 warrants (the "Warrants"), each warrant entitles the holder to purchase one common share at a price of $1.27 per share for a period of 24 months from the date of issuance of the convertible note. Warrants are recorded in equity as part of the contributed surplus, together with the equity portion of the Notes. The Company incurred transaction costs in relation to the Notes issuance in the amount of $105,000 CAD, which was allocated to the liability and equity components of the Notes respectively. During the period ended 31 December 2023, the Company recorded accretion expense of $309,053. The proceeds received from convertible note were $3,878,295 ($3,350,000 CAD) and as of 30 June 2023, amount of $656,975 was repaid to the Investor and further $553,198 was by quarter 1 and final amount of $3,152,244.01 was paid on 10 Nov 2023 for closure of Lind Note. Due to the cease trade order issued to the Company in November 2022 by the British Columbia Securities Commission and the Ontario Securities Commission, the Company paid penalty to the Investor and the payments were re-negotiated: amount repaid to the Investor included 3 monthly installments instead of 2 per initial payment schedule. The Company recognized a loss on cash flow modification of $105,734 included in the finance cost as of 30 June 2023.

Net gain on borrowings and derivative liability

On 10th Nov 2023 the Company repaid the final amount of $3,152,244.01 to settle the closure of the Lind Note resulting in a gain of $500,227.

	Three months ended 31 Dec 2023 ($)	Three months ended 31 Dec 2022 ($)	**Six months ended 31 Dec 2023 ($)**	Six months ended 31 Dec 2022 ($)
Gain on repayment of convertible note	**500,227**	-	**500,227**	-
(Loss) / gain on repayment of derivative liability	**(6,030)**	241,745	**(23,912)**	241,745
Net gain on borrowings and derivative liability	**494,197**	241,745	**476,315**	241,745

(Expressed in Australian Dollars)

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) Renumeration of directors and key management personnel of the Company was as follows:

	Three months ended		Six months ended	
	31 Dec 2023	**31 Dec 2022**	**31 Dec 2023**	**31 Dec 2022**
	$	**$**	**($)**	**($)**
Salaries	**1,098,730**	995,187	**1,980,329**	2,012,368
Consulting fees including reimbursements at cost	**153,007**	203,175	**255,555**	295,754
Director's fees	**96,988**	98,316	**205,560**	177,174
Share-based compensation	**47,477**	298,734	**134,372**	815,958
Total	**1,396,202**	1,595,411	**2,575,817**	3,301,254

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 2023 (31 December 2022: nil)

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

	Three months ended		Six months ended	
	31 Dec 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
	$	$	**($)**	($)
Proceeds from loans for trade working capital (1)	**7,254,598**	3,000,000	**9,754,598**	5,000,000
Repayment of loans for trade working capital (1)	**(5,170,000)**	(1,000,000)	**(7,170,000)**	(3,000,000)
Proceeds of cryptocurrency loans for trade working capital (2)	**-**	-	**-**	231,511
Repayments of cryptocurrency loans for trade working capital (2)	**-**	-	**-**	(231,511)
Proceeds from convertible note for trade working capital	**-**	-	**1,416,911**	-
Interest paid to related parties (1)	**(51,717)**	-	**(62,402)**	27,361
Loan received from directors			**-**	498,500
Repayments of loans to directors	**-**	(300,000)	**-**	(498,500)
Purchase of crypto currency from director	**610**	(356)	**-**	(556)
Sale of cryptocurrencies (transaction value)	**-**	6,396,535	**-**	6,396,535
Purchase of cryptocurrencies (transaction value)	**-**	(6,396,535)	**-**	(6,396,535)
Total	**2,033,492**	1,699,644	**3,939,107**	2,026,805

(1) The loans were received from two entities that have a common director with the Company. 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

(Expressed in Australian Dollars)

c) As at 31 December 2023, included in trade and other payables is a balance of $10,598 (30 June 2023: $23,927) payable to related parties as follows:

	31 December 2023 ($)	30 June 2023 ($)
Directors of the Company	**339**	-
Officers of the Company	**10,259**	23,927
Total	**10,598**	23,927

Off-Balance Sheet Arrangements

As of the date of this MD&A, the Company has no off-balance sheet arrangements.

Liquidity and Capital Resources

As at 31 December 2023 the Company had $ 1,561,360 in cash compared to $8,258,814 as at 30 June 2023, The decrease in cash is due to negative working capital was $2,182,428 as at 31 December 2023 compared to $5,275,116 as at 30 June 2023. Negative working capital is primarily caused by changes in trade receivables which increased by $ 6,937,518 during the six months ended 31 December 2023 (trade receivables includes receivables from exchanges including fiat held at exchanges or with custodians of $1,155,884 which are at call) and borrowings amounting to $6,982,057 (30 June 2023: $ 5,242,796) and convertible note $NIL as at 31 December 2023 (30 June 2023 $3,501,334). During the six months ended 31 December 2023, the Company had a net decrease in cash and cash equivalents held of $6,697,454 compared to $1,105,199 during the year ended 30 June 2023.

Cash Flow and Operating Expenses

The Company is currently in a growth phase and is managing to control operating expenses effectively. The main use of cash relates to the increase in payment gateway receivables due to timing differences caused by the seasonal impact on cash receipts over the holidays and higher TTV for the six months ended 31 December 2023 compared six months ended 31 December 2022. In particular, Payment gateway receivables for the six months ended 31 December 2023 compared six months ended 31 December 2022.

Summary of Changes in Operating Expenses and Cash Flow

- The Company historically incurred losses, as well as reported net cash outflows from operating activities. During the six months ended 31 December 2023, the Company used cash of $9,706,132 in operating activities, mainly attributed to the loss during the period, and impacts on working capital as detailed below:
  - An increase in trade & receivables of $7,822,874
  - A decrease in trades & other payables of $1,142,286
  - An increase of digital currencies inventory of $136,162
  - An increase in prepaid expenses of $65,063
  - Offsetting the above cash outflows, are the increase in provision of $ 141,594 and increase in income tax payable $2,221.

(Expressed in Australian Dollars)

  - Non-cash items include depreciation & amortization of $204,946 share-based compensation of $ 219,996, finance cost of $1,163,702, unrealized foreign exchange loss of $1,212,317, deferred tax assets of $1,325 and current income tax benefit of $ 148,194.
- Total transaction value (TTV) has increased to $ 443,987,213 during the six months ended 31 December 2023 from approximately $ 268,924,225 during the six months ended 31 December 2022.
- Employment expense for the six months ended 31 December 2023 increased by $75,795 from $8,427,497 on 31 December 2022 to $8,503,292 during the current quarter.
- Share based compensation for the six months ended 31 December 2023 decreased by $595,962 from $815,958 on 31 December 2022 to $219,996 during the current quarter.

Cash Flow Summary

The following table provides a summary of cash inflows and outflows by activity for the six months ended 31 December 2023 and 2022:

	Three months ended 31 December 2023	Three months ended 31 December 2022
	$	$
Cash provided (used) in operating activities*	**(9,706,132)**	(7,197,906)
Cash provided (used) in investing activities	**(5,080)**	(750,000)
Cash provided (used) in financing activities	**3,331,723**	6,263,791
Net (decrease) increase in cash for the period	**(6,379,489)**	(1,684,115)

Cash used in operating activities

Cash used in operating activities was $9,706,132 in the six months ended 31 December 2023 and significantly increased by $2,508,226 compared to $7,197,906 in 31 December 2022 primarily driven by:

- Net loss for the year of $3,042,792
- An increase in trade & receivables of $7,822,874
- A decrease in trades & other payables of $1,142,286
- An increase of digital currencies inventory of $136,162
- An increase in prepaid expenses of $65,063
- Offsetting the above cash outflows, are the increase in provision of $ 141,594 and increase in income tax payable $2,221.
- Non-cash items include depreciation & amortization of $204,946 share-based compensation of $ 219,996, finance cost of $1,163,702, unrealized foreign exchange loss of $1,212,317, deferred tax assets of $1,325 and current income tax benefit of $ 148,194.

Cash used in investing activities

Our investing activities consist primarily of purchase of property & equipment. For the six months ended 31 December 2023, cash used in the purchase of property & equipment was $5,080 (31 December 2022 - $Nil), purchase of other assets was $Nil (31 December 2022 - $750,000) and increase of other receivable was $Nil (31 December 2022 - $1,125,000).

(Expressed in Australian Dollars)

Cash provided by financing activities

Historically, our financing activities have consisted primarily of the issuance of our common shares.

For the six months ended 31 December 2023 and 31 December 2022 the Company had $Nil net proceeds from new share issues. The Company increased its net borrowings by $1,739,261 compared to $4,000,000 during the six months ended 31 December 2022. The Company made lease repayments of $214,613 during the six months ended 31 December 2023 compared to $207,841 during the same period in 2022. The Company paid interest of $1,139,788 during the six months ended 31 December 2023 compared to $423,644 in same period in 2022. The Company also repaid convertible notes amounting to $3,501,334 compared to $Nil in the same period in 2022 and received $6,318,003 from issuance of convertible notes.

Disclosure of Outstanding Shares

Our authorized capital consisted of an unlimited number of common shares without par value. As of 31 December 2023, and the date of this MD&A, no preferred shares have been issued and the following common shares, and rights to acquire common shares, were outstanding:

Class of Security	**Number outstanding as at 31 December 2023**	Number outstanding as at 30 June 2023
Common shares	**45,563,056**	45,563,056
Share purchase warrants	**7,971,974**	4,714,791
Stock options	**4,485,138**	4,533,138

Risks and Uncertainties

The Company is subject to certain risks and uncertainties that could have a material adverse effect on the Company's results of operations, business prospects, financial condition and dividends to shareholders. Some, but not all, of such risks and uncertainties are discussed below and elsewhere in this MD&A. Readers should also refer to the Company's risks as described under the "Risk Factors" heading set out in the accompanying Financial Statement to which this MD&A is attached, which are specifically incorporated by reference in this MD&A.

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.

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.

The Company's investments in crypto currency holdings for liquidity purposes are held on various digital platforms, some of which are unregulated exchanges. The Company is exposed to counterparty risk in the event that one or more of these unregulated exchanges fail or suffer a security breach, resulting in the loss or theft of the Company's assets. The Company maintains a risk management framework to mitigate the risks associated with its investments in cryptocurrencies, including monitoring the creditworthiness of its counterparties and implementing security measures to protect its assets. However, there can be no assurance that these measures will be effective in all circumstances. The Company continually evaluates its crypto holdings for liquidity purposes in cryptocurrencies and may make changes to its portfolio or risk management framework as market conditions or regulatory requirements change.

Financial risk management objectives

The Company's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Company and appropriate procedures, controls and risk limits.

Capital risk 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.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(Expressed in Australian Dollars)

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.

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.

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 2023	31 Dec 2022	**31 Dec 2023**	31 Dec 2022
Consolidated	**$**	$	**$**	$
US Dollars	**7,294,218**	10,003,517	**118,017**	72,706
Euros	**2,723,765**	515,912	**3,422,399**	226,644
Pound sterling	**386,068**	(393,061)	**10,893**	2
Canadian Dollars	**294,634**	182,253	**(325,962)**	2,244,048
Turkish Lira	**37,717**	157,884	**34,507**	-
	10,736,402	10,466,505	**3,259,854**	2,543,400

The Consolidated Entity had net assets denominated in foreign currencies of $7,476,548 (assets of $10,736,402 less liabilities of $3,259,854) as at 31 December 2023 (31 December 2022: net assets of $7,923,105 (assets of $10,466,505 less liabilities of $2,543,400. Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2022: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Company's loss before tax for the year would have been $747,655 lower/$373,827 higher (2023: $792,311 lower/$396,155 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 realized foreign exchange loss for the period ended 31 December 2023 was $ 862,802 (31 December 2022: loss of $518,745).

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 unfavorably impact the Consolidated Entity's revenues. Additionally, during periods of rapid price fluctuations, there is a risk that unfavorable trading margins may occur due to delays in filling orders.

Interest rate risk

The Company's has $13,300,060 debt outstanding at 31 December 2023 that is exposed to interest rate risk of $665,003 if the interest rate changed at +/-5%. (30 June 2023: $262,130). The Company notes it pays a significantly higher cost of debt compared with the central bank rate.

Credit risk

The Company 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 Company. The Company 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 Company 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 Company limits its credit risk by placing its cryptocurrencies with crypto-exchanges ("trading exchanges") on which the Company has performed internal due diligence procedures.
The Company 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 2023, the Consolidated Entity held Receivables from trading exchanges of $1,155,884 (30 June 2023: $190,016). These amounts represent balances with exchanges or custodians that do not have system or organization control reporting available.

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

(Expressed in Australian Dollars)

The Company 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 Company has performed the relevant AML and KYC procedures. As of each reporting period, the Company assesses if there may be expected credit losses requiring a provision.

While the Company 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 Company will not sustain a material loss on the transaction as a result. As of 31 December 2023, the Company does not expect any material unprovided loss of any of its digital assets.

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 deposited with trading exchanges. The Consolidated Entity further manages all liquidity risk through maintaining a sufficient working capital amount through daily monitoring of controls, cash balances, and operating results.

The Consolidated Entity's trade payables and accruals are substantially due within twelve months. The maturity schedule of the Consolidated Entity's lease liabilities is detailed below.

31 December 2023	**2024**	**2025**	**2026**	**2027**	**Thereafter**
	$	$	$	$	$
Commitment - operational					
Trade payables	897,457	-	-	-	-
Accrued wages and other	514,073	-	-	-	-
Commitments - other					
Lease payments	214,612	443,239	-	-	-
Total contractual obligations	**1,626,142**	**443,239**	**-**	**-**	**-**

30 June 2023	**2024**	**2025**	**2026**	**2027**	**Thereafter**
	$	$	$	$	$
Commitment - operational					
Trade payables	1,156,256	-	-	-	-
Accrued wages and other	262,539	-	-	-	-
Commitments - other					
Lease payments	429,223	443,239	-	-	-
Total contractual obligations	**1,848,018**	**443,239**	**-**	**-**	**-**

Non-Financial Measures

Critical Accounting Estimates

The preparation of the consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amount of assets and liabilities, and the reported amount of revenues and expenses during the year. Actual results may differ from these estimates. Estimates, assumptions, and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized on a prospective basis beginning from the period in which they are revised.

Changes in Accounting Policies including Initial Adoption

Recent IFRS standards adopted in 2023-2024

The Company has adopted all of the new or amended International Financial Reporting Standards (IFRSs) and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

Any new or amended Financial Reporting Standards or Interpretations that are not yet mandatory have not been early adopted.

Significant accounting policies

The principal accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those applied for the audited financial statements of Banxa Holdings Inc. for the year ending 31 December 2023. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Controls and procedures

The Company's CEO and CFO are responsible for establishing and maintaining disclosure controls and procedures for the Company. The Company maintains a set of disclosure controls and procedures designed to provide reasonable assurance that information required to be publicly disclosed is recorded, processed, summarized and reported on a timely basis. The CEO and CFO have evaluated the design of the Company's disclosure controls and procedures at the end of the quarter and based on the evaluation, the CEO and CFO have concluded that the disclosure controls and procedures are effectively designed.

Internal Controls over Financial Reporting

The management is responsible for establishing and maintaining an adequate system of internal control over financial reporting. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The board of directors ("Board") annually appoints an audit committee which includes directors who are not employees of the Company. This committee meets regularly with management and the shareholders' auditors to review significant accounting, reporting and internal control matters. The shareholders' auditors have unrestricted access to the audit committee. The audit committee reviews the interim and annual financial statements, the report of the shareholders' auditors, and the interim and annual management's discussion and analysis and has delegated authority to approve the interim filings and makes recommendations to the Board regarding annual filings.

Events after the reporting period

No subsequent event to report.