BANXA HOLDINGS INC

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2024

(EXPRESSED IN AUSTRALIAN DOLLARS)

DATED: 28 November 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

*This Management's Discussion and Analysis ("**MD&A**") is current as at 28 November 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 three months ended 30 September 2024 compared with the corresponding periods in the prior year. This MD&A should be read in conjunction with the Company's interim consolidated financial statements and the related notes thereto for the three months ended 30 September 2024.*

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 place undue 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 are expressly 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 three months ended 30 September 2024 and 2023: `

	Three months ended 30 September 2024	Three months ended 30 September 2023
	$	$
Income/(Loss) before tax	**(139,779)**	**(2,131,637)**
Amortization and depreciation	**99,951**	**102,234**
Unrealised loss on fair value of derivative liability	**-**	**17,882**
Unrealised Foreign exchange (gains)/losses	**(481,016)**	**395,465**
Share based compensation expense	**23,917**	**151,733**
Finance expense	**397,085**	**642,830**
Gain on sale of capital asset	**(170,609)**	-
Adjusted EBITDA	**(270,451)**	**(821,493)**

(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 and 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).

Revenue

Total revenues increased by $51,139,529 or 113% to $96,490,100 during the three months ended 30 September 2024 from $45,350,571 for the three months ended 30 September 2023, as more revenue was recognised on a principal basis as we increase the number of noncustodial wallets that we hold inventory in to fulfill future orders. This reduces transaction costs and also reduces risk because we are the custodian of the digital assets.

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

	Three months ended 30 September 2024 $	Three months ended 30 September 2023 $
Sale and purchase of cryptocurrencies	**89,225,433**	38,727,760
Integration revenue	**256,492**	570,252
Commissions and spread from services	**7,008,175**	6,052,559
Total revenue	**96,490,100**	45,350,571

The following table shows revenue by geographical regions:

	Three months ended	
	30 September 2024	30 September 2023
	($)	($)
Geographic regions		
Australia	**15,024,919**	8,156,766
North America	**6,233,371**	6,981,992
Europe	**75,231,810**	30,211,813
Total sales revenue by geographical region	**96,490,100**	45,350,571

(Expressed in Australian Dollars)

Results of Operations

The following table sets forth a summary of our results of operations for the three months ended 30 September 2024 and 2023:

	Three months ended 30 September 2024 ($)	Three months ended 30 September 2023 ($)
Revenue	**96,490,100**	45,350,571
Cost of sales	**(89,225,394)**	(38,727,761)
Gross profit	**7,264,706**	6,622,810
Employment expenses	**(4,377,405)**	(4,099,268)
Depreciation and amortisation	**(99,951)**	(102,234)
General, administration and other	**(2,749,521)**	(2,971,493)
Share based compensation	**(23,917)**	(151,733)
Total operating expenses	**(7,250,794)**	(7,324,728)
Operating profit/(loss) before other items and income tax	**13,912**	(701,918)
Other items		
Unrealised loss on fair value of derivative liability	**-**	(17,882)
Net foreign exchange gain/(loss)	**72,331**	(788,931)
Other income	**171,063**	19,924
Finance expenses	**(397,085)**	(642,830)
Total other items	**(153,691)**	(1,429,719)
Loss before tax	**(139,779)**	(2,131,637)
Income tax recovery/(expense)	**67,568**	(14,276)
Net loss for the period	**(72,211)**	(2,145,913)
Other comprehensive (loss)/income		
Items that may be reclassified to profit or loss in subsequent periods (net of tax)		
Exchange differences on translation of foreign operations	**(124,316)**	57,492
Total comprehensive loss for the period	**(196,527)**	(2,088,421)

(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 30 September 2024 and 2023:

	Three months ended 30 September 2024		Three months ended 30 September 2023		**% Change in revenue**
	$ Value of revenue stream	% of total revenue	**$ Value of revenue stream**	% of total revenue	
Sale and purchase of cryptocurrencies	**89,225,433**	**92.5%**	**38,727,760**	**85.4%**	**7.1%**
Integration revenue	**256,492**	**0.3%**	**570,252**	**1.3%**	**-1.0%**
Commissions and spread from services	**7,008,175**	**7.2%**	**6,052,559**	**13.3%**	**-6.1%**
Total revenue	**96,490,100**		**45,350,571**		

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

(Expressed in Australian Dollars)

Cost of sales and services

The following table summarizes the cost of revenue for the three months ended 30 September 2024 and 2023:

	Three months ended 30 September 2024	Three months ended 30 September 2023	**% Change**
	$	$	
Cost of sales and services	**89,225,394**	38,727,761	**130%**
% of total revenue	**92.5%**	85%	

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 three months ended 30 September 2024 increased from 85% for the prior year period to 92.5% of total revenue. Management considers the net "take rate" (refer below) a more meaningful measure of operating performance.

Gross margin on TTV (Net take rate %)

The following table summarizes the gross margin on TTV for the three months ended 30 September 2024 and 2023 (TTV represents Total Transaction Value):

	Three months ended 30 September 2024	Three months ended 30 September 2023	**% Change**
	$	$	
TTV	**252,170,252**	201,865,075	**24.9%**
Revenue[1]	**96,233,608**	44,780,319	**115%**
% of TTV	**38.2%**	22.2%	
Gross margin[2]	**7,008,214**	6,052,558	**15.8%**
Net take rate %[3]	**2.8%**	3.0%	

[1] Excludes integration revenue.
[2] Excludes gross margin on integration revenue.
[3] Net take rate % is margin associated with TTV.

Gross margin on TTV has increased approximately 15.8% from the three months ended 30 September 2023 to the three months ended 30 September 2024. Improvements in business performance year on year are due to a number of operational improvements identified by management in the second half of 2024 which helped to increase TTV achieved. In addition to this, the business added new partners in the web3 wallet space and price optimisation initiatives.

(Expressed in Australian Dollars)

Operating expenses

The following table provides the operating expenses for the three months ended 30 September 2024 and 2023:

	Three months ended 30 September 2024 $	Three months ended 30 September 2023 $	**% Change**
Employment expenses	**4,377,405**	4,099,268	**6.8%**
Depreciation and amortisation	**99,951**	102,234	**-2.2%**
General, administration and other	**2,749,521**	2,971,493	**-7.5%**
Share based compensation	**23,917**	151,733	**-84.2%**
Total operating expenses	**7,250,794**	7,324,728	**-1.0%**
% of total revenue	**7.5%**	**16.2%**	

Amortization and depreciation

Amortization and depreciation expense relates to property, plant, and equipment and right of use assets.

Employment expenses

Salary expenses increased by 6.8% or $278,137 to $4,377,405 for the three months ended 30 September 2024 from $4,099,268 for the three months ended 30 September 2023. As at 30 September 2024 the Company had 154 employees consisting of 58 direct employees and 96 under service arrangements (30 September 2023: 147 employees consisting of 63 direct employees and 84 under service agreements).

(Expressed in Australian Dollars)

General, administration, and other

The following table summarizes the general, administration, and other expenses for the three months ended 30 September 2024 and 2023:

	Three months ended		
	30 September 2024 ($)	30 September 2023 ($)	**% Change**
General, administration and other			
Bank charges	**303,310**	191,685	**58.2%**
Chargeback expenses	**540,262**	68,289	**691%**
Utilities expenses	**60,818**	126,562	**-52.0%**
Travel	**65,000**	90,442	**-28.1%**
Software development	**469,280**	533,338	**-12.0%**
Legal, accounting, consulting	**749,164**	1,336,407	**-43.9%**
Marketing and advertising	**29,791**	75,559	**-60.6%**
Investor relations	**58,240**	149,612	**-61.1%**
Insurance	**135,305**	83,005	**63%**
Recruitment	**51,730**	134,859	**-61.6%**
Other	**286,621**	181,735	**57.7%**
Total general, administration and other	**2,749,521**	2,971,493	**-7.5%**
% of total revenue	**2.9%**	6.6%	
% of TTV	**1.1%**	1.5%	

Other Items

The following table provides a breakdown of other income and (expenses) by type for the three months ended 30 September 2023 and 2023:

	Three months ended 30 September 2024 $	Three months ended 30 September 2023 $	**% Change**
Net (loss)/gain on borrowings and derivative liability	**-**	(17,882)	**-100%**
Net foreign exchange (gains)/losses	**72,331**	(788,931)	**-109%**
Other Income	**171,063**	19,924	**759%**
Finance expense	**(397,085)**	(642,830)	**-38.2%**
Total other items (losses)/gains	**(153,691)**	(1,429,719)	**-89.3%**
% of total revenue	**-0.2%**	-3.2%	
% of TTV	**-0.1%**	-0.7%	

Total other items decreased by $1,276,028 from the loss of $1,429,719 in the three months ended 30 September 2023 to the loss of $153,691 for the three months ended 30 September 2024.

(Expressed in Australian Dollars)

Foreign Exchange (Gains)/Losses

Foreign exchange gain for the three months ended 30 September 2024 of $72,331 (30 September 2023 – loss of $788,931) includes realized foreign exchange loss of $408,685 mainly due to settlements from global payment processors (30 September 2023 – loss of $393,466) and unrealized foreign exchange gain of $481,016 from the revaluation of intercompany payments and receivables (30 September 2023 – gain of $395,465).

	Three months ended		
	30 September 2024	**30 September 2023**	**% Change**
	$	**$**	
Net foreign exchange losses			
Realised Foreign exchange losses	**408,685**	393,466	**3.9%**
Unrealised Foreign exchange (gains)/losses	**(481,016)**	395,465	**-222%**
Net Foreign exchange (gains)/losses	**(72,331)**	788,931	**-109%**
% of total revenue	**-0.1%**	1.7%	
% of TTV	**-0.1%**	0.4%	

The other income increased from $19,924 in the three months ended 30 September 2023 to $171,063 for the three months ended 30 September 2024. The Company disposed of one of its subsidiaries, BNXA TEKNOLOJİ ANONİM ŞİRKETİ. The subsidiary, BNXA TEKNOLOJİ ANONİM ŞİRKETİ, was sold to Trek Labs Australia PTY Ltd on 31 July 2024. The gain on disposal amounted to $170,609.

Other items for the three months ended 30 September 2024 includes Net gain on borrowings and derivative liability of $Nil (30 September 2023 – loss $17,882), and finance expense (interest on short term borrowings and convertible notes) of $397,085 (30 September 2023 – expense $642,380) decrease is due to utilisation of lower interest rates on borrowings.

(Expressed in Australian Dollars)

Selected Quarterly Information

	Quarter ending 30.09.24	Quarter ending 30.06.24	Quarter ending 31.03.24	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)
	$	$	$	$	$	$	$	$
TTV	252,170,252	244,230,028	269,015,814	242,122,138	201,865,075	209,704,276	166,909,096	148,749,411
Total revenue	96,490,100	88,342,748	98,226,006	89,295,460	45,350,571	25,489,106	21,417,920	20,312,155
Income/(loss) from operations before other items and income tax	13,912	(525,146)	1,635,530	(417,021)	(701,918)	(4,605,951)	847,170	(1,680,896)
Net (Loss)/income after tax	(72,211)	(1,554,127)	335,688	(896,879)	(2,145,913)	(7,018,964)	608,539	(1,456,856)
Comprehensive (Loss)/income	(196,527)	(1,839,417)	650,536	(1,385,172)	(2,088,421)	(6,555,648)	583,684	(2,138,328)
Basic and diluted (Loss)/income per common share	(0.00)	(0.01)	0.01	(0.02)	(0.05)	(0.14)	0.01	(0.03)

Key Quarterly Trends

Total revenue has increased during the current quarter 30 September 2024 primarily due to more revenue being recognised on a principal basis quarter on quarter.

Banxa has steadily increased total transactions value (TTV) since quarter ended 31 December 2023 (with the exception of the market rally in the quarter ended 31 March 2024) due to a number of operational improvements identified by management in the second half of 2024 which helped to increase TTV achieved. In addition to this, the business added new partners in the web3 wallet space and price optimisation initiatives.

Key Balance Sheet Components

The following table provides a summary of the key balance sheet components as at 30 September 2024 and 30 June 2024:

	30-Sept-24	30-Jun-24
	$	$
Cash	**3,744,109**	2,028,753
Trade and other receivables	**7,037,149**	9,099,181
Cryptocurrency inventories	**331,264**	348,255
Prepaids	**519,465**	501,632
Property, plant & equipment	**149,665**	184,594
Right-of-use assets	**182,324**	246,888
Total assets	**13,959,740**	14,432,071
Trade and other payables	**5,833,247**	6,796,890
Borrowings	**6,659,673**	5,775,887
Lease liabilities	**325,620**	430,820
Total liabilities	**19,943,238**	20,242,959

Total assets decreased by $472,331 during the three months ended 30 September 2024, driven primarily by increases in cash of $1,715,356 (refer Cash Flow section) offset by decreases in trades and other receivables of $2,062,032. Total liabilities decreased by $299,721 during the three months ended 30 September 2024.

Trade and other receivables

The following table provides a breakdown of trade and other receivables as at 30 September 2024 and 30 June 2024

	30-Sept-24	30-Jun-24
	($)	($)
Payment gateway receivables	**6,526,601**	**8,964,215**
Allowances for chargeback expenses	**(542,106)**	**(611,761)**
Receivables from trading exchanges	**846,147**	**458,969**
Integration Fees	**161,090**	**243,748**
Sundry deposit denominated in USD Tether	**37,999**	**37,506**
Other receivables	**7,418**	**6,504**
Total trade and other receivables	**7,037,149**	**9,099,181**

Total trade and other receivables decreased by $2,062,032 during the period ended 30 September 2024.

(Expressed in Australian Dollars)

Receivables from the payment gateway for September 2024 are lower compared to June 2024 due to timing differences in settlement dates. With 30 June 2024 falling on a weekend, sales made between 28-30 June were not settled until 1-2 days later, causing higher receivables at June 2024 month-end. As a result, the September 2024 balance is lower, and this is also reflected in an increase in cash balance compared to June 2024

Trade receivables include receivables from exchanges including fiat held at exchanges or with custodians of $846,147 which are at call.

Inventory

The following table provides a breakdown of inventory as at 30 September 2024 and 30 June 2024:

	30 September 2024	30 June 2024
	$	$
Crypto currency held for resale	**331,264**	348,255
Total Inventory	**331,264**	348,255

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.

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 Company'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.

		30-Sept-24		30-Jun-24
	Number of coins held	**Value**	Number of coins held	Value
		$		$
Bitcoin (BTC)	1.63	152,217	1.38	140,290
Ethereum (ETH)	20.89	71,414	12.61	67,388
Loopring (LRC)	213	1,798	5,077	1,798
USD Coin (USDC)	9,615	13,878	6,441	9,605
Tether (USDT)	26,307	37,968	76,811	115,017
Other	133,896	53,989	144,380	14,157
Total inventory	170,053	331,264	232,723	348,255

(Expressed in Australian Dollars)

Trade and other payables

The following table provides a breakdown of trade and other payables as at 30 September 2024 and 30 June 2024:

	30-Sept-24	30-Jun-24
	($)	($)
Trade payables	**755,955**	841,844
Employee withholdings payable	**573,703**	195,898
Other payables	**563,741**	1,637,907
Accrued Expenses	**3,135,732**	3,289,470
GST Payable	**804,116**	831,771
Total trade and other payables	**5,833,247**	6,796,890

Decrease in other payables is due to a timing difference in relation to the payment of audit fees, income in advance associated with integration fees, payment of sales taxes as well as a general decrease in other payables.

Borrowings

The following table provides a breakdown of borrowings as at 30 September 2024 and 30 June 2024:

	30-Sept-24	30-Jun-24
	($)	($)
Borrowings - Current		
Convertible Note	**-**	**-**
Short term borrowings	**6,659,673**	**5,775,887**
Total Current	**6,659,673**	**5,775,887**
Borrowings – non-current		
Convertible notes	**5,540,916**	**5,628,597**
Total non-current	**5,540,916**	**5,628,597**
Total Borrowings	**12,200,589**	**11,404,484**

Short-Term Borrowings

Short-Term Borrowings

As of 30 September 2024, the Company had short-term borrowing agreements with the following external entities:

• Alam Group Loan AUD $961,672 (2024: AUD $945,185) at 20% per annum (Alam Group is a related party). Due in March 2025.

• Checkout.com (fronting payment) AUD $1,540,901 (2024: AUD $1,540,901) at 16.43% per annum. Due in November 2024.

• Red Envelope AUD $4,142,087 (2024: AUD $113,787) at 0% per annum. Credit line will be available until July 2025.

(Expressed in Australian Dollars)

• Realised FX of $15,013 (posted in Oct 2024) relating to the repayment of Perion and Alam loans.

As of September 30, 2024, the Company had total short-term borrowings capacity of AUD $10,068,228

Convertible Notes

During the period ended 30 June 2024 the Company completed a non-brokered private placement (the "Private Placement") of convertible debenture units (the "Note Units") for gross proceeds of CAD $5,694,024 bearing interest at 10% per annum. Banxa issued to the Investor 2,847,010 warrants, each warrant entitles the holder to purchase one common share at a price of $1 per share for a period of 36 months from the date of issuance of the convertible note. 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).The principal of the security is convertible, at the option of the holder, to common shares of the Company at a price of CAD $0.80, and the accrued interest is convertible, at the option of the holder, equal to the last closing price of the common shares on the exchange on the last trading day immediately prior to the announcement of the interest conversion by news release.. Convertible notes of CAD $750,000 and CAD $500,000 were issued to Alam Group and Blackhawk Ventures Private Limited which are related parties.

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 30 September 2024 ($)	Three months ended 30 September 2023 ($)
Salaries	**1,194,403**	881,599
Consulting fees including reimbursements at cost	**74,224**	102,548
Director's fees	**90,463**	108,573
Share-based compensation	**23,917**	86,895
Total	**1,383,007**	1,179,615

Key management personnel were not paid post-employment benefits, termination benefits, or other (non share-based) long-term benefits during the period ended 30 September 2024 (30 September 2023: nil)

(Expressed in Australian Dollars)

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

	Three months ended 30 September 2024 ($)	Three months ended 30 September 2023 ($)
Proceeds from loans from directors ([1])	**300,000**	2,500,000
Repayment of loans from directors ([1])	**(300,000)**	(2,000,000)
Interest paid to related parties ([1])	**(94,587)**	(10,685)
Purchase of cryptocurrencies (transaction value)	**15,376**	260
Total	**(79,211)**	489,575

[(1)] *The loans were received from directors of the Company. Refer to Note 12 in the Q1 2025 interim financial statements.*

c) As at 30 September 2024, included in trade and other payables is a balance of $10,535 (30 June 2024: $Nil) payable to related parties as follows:

	30 September 2024 ($)	30 June 2024 ($)
Directors of the Company	**5,400**	-
Officers of the company	**5,135**	-
Total	**10,535**	**-**

Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

As at 30 September 2024 the Company had $3,744,109 in cash compared to $2,028,753 as at 30 June 2024, The increase in cash is primarily caused by changes in trade receivables which decreased by $2,062,032 during the three months ended 30 September 2024 (trade receivables includes receivables from exchanges including fiat held at exchanges or with custodians of $846,147 which are at call) and borrowings amounting to $6,659,673 (30 June 2024: $ 5,775,887). Noncurrent convertible note was $5,540,916 for the three months ended 30 September 2024 (30 June 2024: $5,628,697). During the period ended 30 September 2024, the Company had a net increase in cash and cash equivalents held of $2,112,192.

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 Company incurred a loss of $72,211 and had net cash inflow from operating activities of $1,326,110 for the three months ended 30 September 2024. The Company 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 Company'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 Company 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 interim unaudited consolidated financial statements.

The Directors have considered the net current asset position of the Company as at 30 September 2024 which amounts to negative balance of $2,666,836 (including cash of $3,744,109 and receivables from exchanges including fiat held at exchanges or with custodians of $846,147 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 Company has the ability to meet its debts as and when they fall due. The cashflow forecast assumes that the level of volume of cryptocurrency transactions traded by the Company's global partners will continue to increase, driven by continued increases in the global partner network and continued usage of the Company payment infrastructure by the global partner network, irrespective of day-to-day movements in specific crypto currencies which will facilitate increase of commission income of the Company. The Company is reliant on the continued support of its lenders of which a significant portion are related parties. Furthermore, the Company believes it is able to raise additional funds or extend maturity of expiring loans.

Accordingly, the Directors believe the Company 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.

(Expressed in Australian Dollars)

Cash Flow and Operating Expenses

The company is in currently in a growth phase and is managing to control operating expenses effectively. Cash has increased in September 2024 compared to June 2024 due to the timing of settlement dates. In June 2024, sales made between 28-30 June were not settled until 1-2 days into July, leading to higher receivables at June month-end. By September, the timing difference was resolved, resulting in lower receivables and a corresponding increase in cash as those sales were settled earlier.

Cash Flow Summary

The following table provides a summary of cash inflows and outflows by activity for the period ended 30 September 2024 and 30 September 2023:

	Three Months ended 30 September 2024	Three Months ended 30 September 2023
	$	$
Cash provided (used) in operating activities	**1,326,110**	(6,678,892)
Cash provided (used) in investing activities	**170,151**	(4,845)
Cash provided (used) in financing activities	**615,931**	(5,099)
Net increase/(decrease) in cash for the period	**2,112,192**	(6,688,836)

Cash provided by operating activities

Cash provided from operating activities was $1,326,110 in the three months ended 30 September 2024 an improvement of $8,005,002 compared to cash used in operating activities of $6,678,892 on 30 September 2023 primarily driven by:

- Net loss for the period of $72,211
- A decrease in trade & receivables of $2,062,032
- A decrease in trade & other payables of $963,642
- A decrease of digital currencies inventory of $16,991
- An increase in prepaid expenses of $17,883
- Offsetting the above cash outflows, are the increase in provision of $33,891 and increase in income tax payable of $135,334.
- Non-cash items include depreciation & amortization of $99,951 share-based compensation of $23,917, foreign exchange loss of $128,064, deferred tax assets of $4,239.

Cash provided by investing activities

Our investing activities consist primarily of purchase of property & equipment. For the three months ended 30 September 2024, cash used in the purchase of property & equipment was $Nil (30 September 2023: $4,845), disposal of other assets was $458 (30 September 2023: $Nil). Proceeds from sale of intellectual property was $170,609 for the three months ended 30 September 2024 which consisted of the sale of the BNXA Teknoloji Anonim Sirketi AS (30 September 2023: $Nil).

(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 three months ended 30 September 2024 the Company increased its net borrowings by $883,786 to $6,659,673 compared to $5,775,887. In the three months ended 30 September 2024 the Company made lease repayments of $110,810 compared to $107,307 during the same period in 2023, including interest of $5,610 during the three months ended 30 September 2024 compared to $11,792 in the same period in 2023.

Disclosure of Outstanding Shares

Our authorized capital consisted of an unlimited number of common shares without par value. As at 30 September 2024, 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 30 September 2024**	Number outstanding as at 30 June 2024
Common shares	**45,587,056**	45,587,056
Share purchase warrants	**7,561,801**	7,561,801
Stock options	**4,527,888**	4,527,888

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 "Nature and extent of risk arising from financial instruments and digital assets" 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 Company's is exposed to financial risk that arises from a number of sources. Management's involvement in operations helps identify risks and variations from expectations. As a part of the overall operation of the Company, Management takes steps to avoid undue concentrations of risk.

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 return capital to shareholders, issue new shares or sell assets to reduce debt.

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 Company 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 Company's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

(Expressed in Australian Dollars)

	Assets		Liabilities	
	30 September 2024	30 June 2024	**30 September 2024**	30 June 2024
Consolidated	**$**	$	**$**	$
US Dollars	**3,952,536**	3,737,634	**5,684,130**	5,476,605
Euros	**4,196,010**	7,824,186	**2,321,220**	5,695,557
Pound sterling	**3,347**	-	**114,477**	91,726
Singapore Dollar	**107**	105	**106**	104
Canadian Dollars	**248,907**	170,545	**1,636,129**	1,793,127
Turkish Lira	**-**	244,504	**-**	-
	8,400,907	11,976,974	**9,756,062**	13,057,119

The Company had net liabilities denominated in foreign currencies of $1,355,155 (assets of $8,400,907 less liabilities of $9,756,062) as at 30 September 2024 (30 September 2023: net assets of $580,239 (assets of $6,508,794 less liabilities of $7,089,033). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 10% (2023: weakened by 10%/strengthened by 10%) against these foreign currencies with all other variables held constant, the Company's loss before tax for the period would have been $135,516 lower/$135,516 higher (2023: $58,024 lower/$58,024 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 30 June 2024 was $72,331, (2023: loss of $393,466).

Price risk relating to digital assets

Fluctuations in the prices of cryptocurrencies may impact the day-to-day trading volumes of the Company's exchange partners, and unfavorably impact the Company'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 $6,659,743 debt outstanding at 30 September 2024 that is exposed to interest rate risk of $332,984 if the interest rate changed at +/-5%. (30 June 2024: $288,795).

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.

(Expressed in Australian Dollars)

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 30 September 2024, the Company held receivables from trading exchanges of $846,147 (30 June 2024: $458,969) together with payment gateway receivables of $6,526,601 (30 June 2024: $9,423,184). These amounts represent balances with exchanges or custodians that do not have system or organisation control reporting available.

Credit risk Exposure	**30 September 2024** **$**	**30 June 2024** **$**
Receivables from trade exchanges	846,147	458,969
Payment gateway receivables	6,526,601	8,964,215
Total Assets	**7,372,748**	**9,423,184**

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.
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 at 30 September 2024, the Company does not expect any material unprovided loss of any of its digital assets.

(Expressed in Australian Dollars)

Liquidity risk

Vigilant liquidity risk management requires the Company 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 Company 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 Company further manages all liquidity risk through maintaining a sufficient working capital amount through daily monitoring of controls, cash balances, and operating results.

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

30 September 2024	**2025**	**2026**	**2027**	**2028**	**Thereafter**
	$	$	$	$	$
Commitment - operational					
Trade payables	755,955	-	-	-	-
Accrued wages and other	573,703	-	-	-	-
Other payables	563,741	-	-	-	-
Accrued expenses	3,135,732	-	-	-	-
GST Payable	804,116	-	-	-	-
Commitments - other					-
Short term borrowings	6,659,673	-	-	-	-
Lease payments	332,429	-	-	-	-
Total contractual obligations	**12,825,349**	**-**	**-**	**-**	**-**

30 June 2024	**2025**	**2026**	**2027**	**2028**	**Thereafter**
	$	$	$	$	$
Commitment - operational					
Trade payables	841,844	-	-	-	-
Accrued wages and other	195,898	-	-	-	-
Other Payables	1,637,907	-	-	-	-
Accrued Expenses	3,289,470	-	-		-
GST Payable	831,771				
Commitments – other					
Short term borrowings	5,775,887	-	-	-	-
Lease payments	443,239		-	-	-
Total contractual obligations	**13,016,016**		**-**	**-**	**-**

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 period. 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 consolidated financial statements are consistent with those applied for the audited financial statements of Banxa Holdings Inc. for the period ending 30 June 2024. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Events after the reporting period

The Company have determined that no events have occurred that would require adjustment to or disclosure in these financial statements.