BANXA HOLDINGS INC.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED

30 JUNE 2022 AND 2021

(EXPRESSED IN AUSTRALIAN DOLLARS)

Banxa Holdings Inc.
Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Australian Dollars)

Contents

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Banxa Holdings Inc.

Opinion

We have audited the consolidated financial statements of Banxa Holdings Inc. (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2022 and 2021 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $17,270,783 and reported negative cash flows from operating activities of $8,033,362 during the year ended June 30, 2022. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Emphasis of Matter

We draw attention to Note 30 to the consolidated financial statements, which explains that certain comparative information presented for the year ended June 30, 2021 has been restated. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis (MD&A).

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the MD&A prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Curtis Dorfman.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 13, 2023
Toronto, Ontario

(Expressed in Australian Dollars)

Consolidated Statements of Financial Position

As at 30 June 2022 and 2021

	Note	30 June 2022 ($)	30 June 2021 (Restated) ($)
Assets			
Current assets			
Cash and cash equivalents		**9,364,013**	18,615,803
Trade and other receivables	5	**2,766,934**	5,502,432
Inventories	6	**883,885**	45,311
Prepaids	7	**464,332**	292,902
Total current assets		**13,479,164**	24,456,448
Non-current assets			
Property, plant & equipment	9	**495,077**	35,244
Right-of-use assets	10	**763,399**	-
Goodwill	8	**151,643**	151,643
Other deposits - bank guarantee	11	**505,516**	252,758
Total non-current assets		**1,915,635**	439,645
Total assets		**15,394,799**	24,896,093
Liabilities			
Current liabilities			
Trade and other payables	12	**5,720,071**	3,815,872
Borrowings	13	**-**	444,869
Current tax liabilities		**355,310**	255,431
Provisions	15	**632,309**	289,855
Derivative liability	14	**-**	1,127,457
Lease liability - current	16	**354,348**	-
Total current liabilities		**7,062,038**	5,933,484
Non-current liabilities			
Provisions and other liabilities	15	**63,710**	28,889
Lease liability	16	**821,975**	-
Total non-current liabilities		**885,685**	28,889
Total liabilities		**7,947,723**	5,962,373
Net assets		**7,447,076**	18,933,720
Equity			
Issued capital	17	**23,128,075**	20,913,753
Contributed surplus	18	**11,619,713**	8,695,175
Foreign currency translation reserve	18	**1,156,524**	511,245
Accumulated losses	19	**(28,457,236)**	(11,186,453)
Total equity		**7,447,076**	18,933,720

Nature of operations (Note 1)
Subsequent events (Note 33)

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

Approved and authorized for issuance by the Board of Directors of Banxa Holdings Inc on 13 April 2023.

(Signed) " D. Carosa "
Chairman

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

Banxa Holdings Inc.

Consolidated Financial Statements
For the years ended 30 June 2022 and 2021
(Expressed in Australian Dollars)

Consolidated Statements of Profit or Loss and Other Comprehensive income

For the years ended 30 June 2022 and 2021

	Note	30 June 2022 ($)	30 June 2021 ($)
Revenue	22	**71,596,457**	45,970,658
Cost of sales		**(50,758,136)**	(29,119,825)
Gross profit		**20,838,321**	16,850,833
Employment expenses		**(18,047,647)**	(7,266,313)
Depreciation	9 & 10	**(454,970)**	(39,075)
General, administration and other	23	**(13,304,500)**	(5,814,207)
Share based compensation		**(2,924,538)**	(2,081,011)
Total operating expenses		**(34,731,655)**	(15,200,606)
Operating Income (loss) before other items and income tax		**(13,893,334)**	1,650,227
Other items			
Realised gain on fair value of deposits (treasury coins)		**1,233,920**	-
Unrealised loss on fair value of deposits (treasury coins)		**-**	(975,829)
Realised loss on fair value of derivative liability		**(136,866)**	-
Unrealised loss on fair value of derivative liability		**-**	(1,050,793)
Net foreign exchange losses	23	**(4,202,131)**	(2,715,843)
Other Income		**243,668**	627,860
Finance costs	23	**(287,154)**	(532,771)
Listing expenses	4	**-**	(2,690,513)
Total other items		**(3,148,563)**	(7,337,889)
Loss before tax		**(17,041,897)**	(5,687,662)
Income tax (expense)	24	**(228,886)**	(140,454)
Net loss for the year		**(17,270,783)**	(5,828,116)
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange differences on translation of foreign operations		**645,279**	456,860
Total comprehensive loss for the year		**(16,625,504)**	(5,371,256)
Loss per share attributable to ordinary shareholders of the Company			
Basic loss per share	25	**(0.38)**	(0.15)
Diluted loss per share	25	**(0.38)**	(0.15)

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

(Expressed in Australian Dollars)

Consolidated Statements of Changes in Equity

For the years ended 30 June 2022 and 2021

	Number of common shares	Issued capital ($)	Contributed surplus ($)	Foreign currency translation reserve ($)	Accumulated losses ($)	Total ($)
2021						
As at 1 July 2020	19,066	6,523,314	6,848	54,386	(5,358,337)	**1,226,211**
Loss for the year	-	-	-	-	(5,828,116)	**(5,828,116)**
Other comprehensive income	-	-	-	456,859	-	**456,859**
Total comprehensive income	**-**	**-**	**-**	**456,859**	**(5,828,116)**	**(5,371,257)**
Transactions with owners:						
Private placement July 2020	334	517,700	-	-	-	**517,700**
Acquisition consideration	55	100,375	-	-	-	**100,375**
Subscription receipts	2,316	4,226,700	-	-	-	**4,226,700**
Conversion of prepaid shares	274	-	-	-	-	**-**
Total BTC shares originally issued	(22,045)	-	-	-	-	**-**
Issuance of resulting issuer shares	38,314,204	-	-	-	-	**-**
RTO issuance	1,200,000	1,220,160	-	-	-	**1,220,160**
Stock options issued pursuant to RTO			108,860	-	-	**108,860**
Shares issued to RTO advisors	1,196,500	1,216,601	-	-	-	**1,216,601**
Warrants issued to RTO advisors (Note 21)		(50,728)	50,728	-	-	**-**
Other share issuance costs		(797,930)	-	-	-	**(797,930)**
Other:			-	-	-	**-**
Share -based compensation		-	2,081,011	-	-	**2,081,011**
Share issuance costs - placement		(1,498,180)	-	-	-	**(1,498,180)**
Share-based finance charge (issue of warrants)		-	172,952	-	-	**172,952**
Exercise of ESOP options	132,500	105,766	-	-	-	**105,766**
Exercise of warrants	29,412	31,094	-	-	-	**31,094**
Private placement	3,749,552	10,208,621	5,385,036	-	-	**15,593,657**
Warrants issued to placement advisors (Note 21)		(889,740)	889,740			**-**
Shares issued to advisors at $C7.60	121,866	962,951	-			**962,951**
Share issuance costs - advisors shares	-	(962,951)	-			**(962,951)**
As at 30 June 2021	**44,744,034**	**20,913,753**	**8,695,175**	**511,245**	**(11,186,453)**	**18,933,720**

(Expressed in Australian Dollars)

Consolidated statements of changes in equity (continued)

For the years ended 30 June 2022 and 2021

	Number of common shares	Issued capital ($)	Contributed surplus ($)	Foreign currency translation reserve ($)	Accumulated losses ($)	Total ($)
2022						
As at 1 July 2021	**44,744,034**	**20,913,753**	**8,695,175**	**511,245**	**(11,186,453)**	**18,933,720**
Loss for the year	-	-	-	-	(17,270,783)	**(17,270,783)**
Other comprehensive income	-	-	-	645,279	-	**645,279**
Total comprehensive income	**-**	**-**	**-**	**645,279**	**(17,270,783)**	**(16,625,504)**
Transactions with owners:						
Share based compensation	-	-	2,924,538	-	-	2,924,538
Shares issued on conversion of note (Notes 14 and 17)	492,941	1,634,258	-	-	-	1,634,258
Shares issued for service (Note 17)	70,000	223,017	-	-	-	223,017
Exercise of ESOP options (Notes 17 and 20)	91,375	40,528	-	-	-	40,528
Exercise of warrants (Notes 17 and 21)	164,706	316,519	-	-	-	316,519
As at 30 June 2022	**45,563,056**	**23,128,075**	**11,619,713**	**1,156,524**	**(28,457,236)**	**7,447,076**

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

(Expressed in Australian Dollars)

Consolidated Statements of Cash Flows
For the years ended 30 June 2022 and 2021

	Note	30 June 2022 ($)	30 June 2021 (Restated) ($)
Net loss for the year		**(17,270,783)**	**(5,828,116)**
Cash flows excluded from profit attributable to operating activities			
Adjustments for non-cash flows in the statement of comprehensive income:			
Depreciation	9, 10	454,970	39,075
Unrealised fair value adjustment to deposit		-	975,829
Unrealised fair value adjustment to derivative liability		-	1,050,793
Share-based compensation		2,924,538	2,081,011
Share-based finance charges		-	172,952
Gain on bargain purchase		-	(326)
Unrealised foreign exchange loss/(gain)		1,463,912	(406,707)
Listing expenses	4	-	2,690,513
Finance cost ([1])	23	287,154	532,771
Changes in assets and liabilities:			
(Increase)/decrease in trade & other receivables ([2])	5	2,735,498	(4,769,131)
(Increase)/decrease in inventories	6	(838,574)	(12,252)
(Increase)/decrease in prepaids	7	(171,430)	(289,271)
(Increase)/decrease in deposits		-	54,058
Increase/(decrease) in trade & other payables	12	1,904,199	2,322,559
Increase/(decrease) in employee benefits		377,275	232,552
Increase/(decrease) in income taxes payable		99,879	45,619
Cash outflow from operating activities		**(8,033,362)**	**(1,108,071)**
Cash flows from investing activities			
Net cash acquired from acquisitions		-	111,045
Purchase of property, plant & equipment	9	(198,314)	(68,607)
Net advances to acquired entities pre-acquisition		-	(82,254)
Net cash used by investing activities		**(198,314)**	**(39,816)**
Cash flows from financing activities			
Payments for principal element of lease liabilities	16	(320,211)	-
Payments for interest element of lease liabilities	16	(82,389)	-
Interest paid ([1])	23	(204,765)	(532,771)
Proceeds received from borrowing	26	13,500,000	-
Repayment of borrowings		(13,574,934)	(15,941)
Issued capital		357,047	18,033,915
(Increase)/Decrease in Bank Guarantee	11	(252,758)	(252,758)
Payment of deferred consideration		-	(399,625)
Net cash used by financing activities		**(578,010)**	**16,832,820**
Net increase/(decrease) in cash and cash equivalents held		(8,809,686)	15,684,933
Net foreign exchange difference		(442,104)	863,566
Cash and cash equivalents at the beginning of year		18,615,803	2,067,304
Cash and cash equivalents at end of the financial year		**9,364,013**	**18,615,803**

(1) *Finance cost was presented as a separate line item on the Cash Flow as per IAS 7.31 for FY 2022 and the comparative was adjusted accordingly.*

(2) *The Provision for chargeback expenses of $1,641,003 for FY 2021 was offset with the movement of the Trade and other receivables when presenting the comparative for FY 2022.*

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

Notes to the Consolidated Financial Statements

1. Nature of operations

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

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

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

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

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

2. Going concern

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

The Consolidated Entity incurred a loss of $17,270,783 and had net cash outflows from operating activities of $8,033,362 for the year ended 30 June 2022. The Consolidated Entity has historically incurred losses, as well as reported net cash outflows from operating activities.

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

The Directors have considered the net current asset position of the Consolidated Entity as at 30 June 2022 which amounts to $6,417,126 (including cash of $9,364,013 and receivables from exchanges including fiat held at exchanges or with custodians of $706,412 which are at call), and reviewed the cashflow forecasts for a period in excess of 12 months from the signing date of this financial report, and believe the Consolidated Entity has the ability to meet its debts as and when they fall due. The cashflow forecast assumes that the level of volume of cryptocurrency transactions traded by the Consolidated Entity's global partners will continue to increase, driven by continued increases in the global partner network and continued usage of the Banxa payment infrastructure by the global partner network, irrespective of day-to-day movements in specific crypto currencies.

Accordingly, the Directors believe the Consolidated Entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

3. Significant accounting policies

Statement of compliance

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

The policies applied in these consolidated financial statements are based on IFRSs issued and outstanding as of 30 June 2022.

Historical cost convention

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

- Inventory which is recognized and subsequently measured at fair value less costs to sell, as explained in note 6. Changes in fair value less cost to sell of inventory are recognized in profit or loss; and
- Digital currency denominated assets are recognized and subsequently measured at fair value less costs to sell, as explained in note 5.2. Changes in fair value of these assets are recognized in profit or loss.
- The derivative liability is recognized and subsequently measured at fair value through profit or loss, as explained in note 14. Changes in fair value of derivative liability are recognized in profit or loss.

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

Standards issued but not yet effective

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

- Amendments to IFRS 3 *Business Combinations* are designed to: i) update its reference to the *2018 Conceptual Framework* instead of the 1989 Framework; ii) add a requirement that, for obligations within the scope of IAS 37*, Provisions, Contingent Liabilities and Contingent Assets*, ("IAS 37") an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC Interpretation 21, *Levies*, ("IFRIC 21") the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date; and iii) add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

- Amendments to IAS 16 *Property, Plant and Equipment* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to IAS 37 specify that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract" in assessing whether a contract is onerous. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

3. Significant accounting policies (continued)

- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* extend the relief, which allows subsidiaries that become a first-time adopter later than its parent to measure its assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, to the cumulative translation differences for all foreign operations.

- Amendments to IFRS 9 *Financial Instruments* ("IFRS 9") clarify which fees an entity includes when it applies the "10 per cent" test in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- Amendments to IFRS 16 *Leases* ("IFRS 16"), remove the illustration of the reimbursement of leasehold improvements included in the Illustrative Example 13 of IFRS 16 since it does not explain clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in IFRS 16.

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

- Amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1"), clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

- Amendments to IAS 1 change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies. Further amendments to IAS 1 are made to explain how an entity can identify a material accounting policy.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- Amendments to IAS 12 *Income Taxes* specify how entities should account for deferred income taxes on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognizing deferred income taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations and those entities are required to recognize deferred income taxes on such transactions.

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

3. Significant accounting policies (continued)

Significant accounting judgments and estimates

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

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

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

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

- Digital currency denominated assets and inventories (note 5.2 and note 6, respectively) are included in current assets. Assets of this type held by trade exchanges or liquidity providers are further classified as trade receivables as Banxa is an unsecured creditor while the assets are held by the trade exchange or liquidity provider as the title to these assets is held by the trade exchange or liquidity provider (refer to note 31). The trade exchange or liquidity provider owes Banxa an account receivable for the fluctuating value of the fiat and digital assets held on their platform at any point in time.
  Digital currencies are carried at their fair value determined by the spot rate based on Trade exchanges (e.g., Binance) prices as at 2 pm UTC. The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices for digital currencies may have a significant impact on the consolidated entity's results and financial position.

- The Consolidated Entity has assessed the functional currency for each entity within the Consolidated Entity by taking into account the currency which influences sale prices for goods and services, the currency of the country whose competitive forces and regulations determine sale prices, and the currency that mainly influences labour, material and other costs of providing goods or services.

- Assumptions are made and judgment is used in calculating the fair value of stock options and warrants using the Black-Scholes option pricing model. These assumptions and judgments include estimating the fair value of the Consolidated Entity's stock, future volatility of the stock price and expected dividend yield. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

3. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

- Significant judgment is required in determining the provision for income taxes. Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Consolidated Entity reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities. The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognizes liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

- Recovery of deferred tax assets: Deferred tax assets are recognized for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

- In addition, the Consolidated Entity recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped. Unrecognized deferred tax assets are re-assessed at each reporting date and will be recognized when it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

- The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainties.

- Management's consideration of principal or agent in a revenue transaction is disclosed in the revenue recognition policy below.

- Provision for legal claims: A provision has been made for the present value of anticipated costs for legal settlements. The calculation of this provision requires assumptions such as the number of unresolved payment disputes during each reporting period that will advance to legal refund demands or be referred to police investigation. The provision recognized for each operating subsidiary is periodically reviewed and updated based on the facts and circumstances available at the time.

- Coronavirus ("COVID-19") pandemic: Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Consolidated Entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Consolidated Entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Consolidated Entity unfavorably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

3. Significant accounting policies (continued)

Significant accounting judgments and estimates (continued)

- Goodwill and other indefinite life intangible assets: The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

- Impairment of non-financial assets other than goodwill and other indefinite life intangible assets: The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

- Employee benefits provision: The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognized and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Basis of consolidation

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

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

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

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

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

(Expressed in Australian Dollars)

3. Significant accounting policies (continued)

Subsidiaries

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

			Equity interest	
			2022	2021
Name	**Principal activities**	**Incorporation**	**%**	**%**
BTC Corporation Holdings Pty Ltd	Holding company	Australia	100	100
BC Cloud Mining Pty Ltd	Payment service provider	Australia	100	100
Global Internet Ventures Pty Ltd	Payment service provider	Australia	100	100
Global Internet Ventures Limited (UK)	Payment service provider	United Kingdom	100	100
Richmond Internet Ventures Corporation	Payment service provider	Canada	100	100
Internet SG Ventures Pte Ltd	Dormant company	Singapore	100	100
Banxa.com Pty Ltd	Payment service provider	Australia	100	100
Rhino Loft Pty Ltd	Payment service provider	Australia	100	100
EU Internet Ventures B.V.	Payment service provider	The Netherlands	100	100
BTC Sing SPV Pte Ltd	Dormant company	Singapore	100	100
LT Internet Ventures UAB	Payment service provider	Lithuania	100	100
BNXA USA Holding Inc	Payment service provider	USA	100	-
BNXA USA MTL	Payment service provider	USA	100	-
BNXA USA Operating Inc	Payment service provider	USA	100	-
BNXA UK VASP Limited	Payment service provider	United Kingdom	100	-

Business combinations

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

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

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

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

3. Significant accounting policies (continued)

Business combinations (continued)

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

Current and non-current classification

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

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

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

Cash and cash equivalents

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

Inventories

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

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

3. Significant accounting policies (continued)

Equipment

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

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

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

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

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

Leases

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

Intangible assets

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

Goodwill

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

Research and development

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

Impairment of non-financial assets

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

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

3. Significant accounting policies (continued)

Financial Instruments

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement – financial assets at amortized cost

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

Derecognition

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

Impairment

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

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

Financial assets were classified as follows:

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

3. Significant accounting policies (continued)

Financial Instruments (continued)

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement – financial liabilities at amortized cost

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

Derecognition

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

Financial liabilities were classified as follows:

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

Convertible notes

BTC issued convertible notes denominated in a currency other than its functional currency. Therefore, the conversion option failed to be an equity instrument and was considered an embedded derivative. Convertible notes are separated into liability and derivative liability components based on the terms of the contract. On issuance of the convertible notes, the fair value of the derivative liability is determined using an option pricing model. This amount is measured at FVTPL. Changes in the fair value of the derivative liability is charged to operations.

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

3. Significant accounting policies (continued)

Provisions

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

Foreign currency translation

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

Foreign currency transactions and balances

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

Foreign operations

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

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

3. Significant accounting policies (continued)

Revenue recognition

The consolidated entity recognizes revenue as follows:

Revenue from contracts with customers

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

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

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

Sale of cryptocurrencies

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

Commissions and spread from services

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

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

3. Significant accounting policies (continued)

Revenue recognition

Integration services

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

Government grants

Government grants, including the Australian Tax Office COVID incentive, are recognized when they are received or when the right to receive payment is established.

Government grants are recognized in the consolidated statements of profit or loss and other comprehensive income on a systematic basis over the periods in which the Consolidated Entity recognizes as expenses the related costs for which the grants are intended to compensate. Government grants are included in other income.

Share-based compensation

The Company has a share-based compensation plan that is described in note 17. The Company accounts for share-based payments using the fair value-based method. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. The fair value of each tranche of options issued to employees and others providing similar services is determined by using the Black-Scholes option pricing model. The fair value of each tranche of options issued to non-employees is determined by the fair value of the goods or services received. If the fair value of goods or services received cannot be reliably measured, then the Black-Scholes option pricing model is used.

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

Fair value measurement

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

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

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

3. Significant accounting policies (continued)

Fair value measurement

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

Income tax

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

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

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

3. Significant accounting policies (continued)

Income tax

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

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

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

Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief executive officer.

4. Reverse takeover

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

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

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

For accounting purposes, the acquisition is outside the scope of IFRS 3 Business Combinations ("IFRS 3") since ALBS, prior to the RTO, did not constitute a business. The RTO was accounted for in accordance with IFRS 2 Share-based Payments whereby BTC was deemed to have issued shares in in exchange for the net assets of the Company together with its TSX Venture Exchange listing status at the fair value of the consideration deemed paid to the ALBS's shareholders.

Accordingly, these accounts have been prepared as follows:

- The consolidated financial statements of the combined entities are issued under the legal parent, Banxa Holdings Inc, but are considered a continuation of the financial statements of the legal subsidiary, BTC;
- All comparative figures reflect the consolidated BTC group only and exclude ALBS;
- Since BTC is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying value; and

(Expressed in Australian Dollars)

4. Reverse takeover (continued)

- The value in excess of the net identifiable assets or obligations of ALBS acquired on closing was expensed in the consolidated statement of profit or loss and other comprehensive income as a listing expense.

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

The fair value of the options of $108,914 was estimated by using the Black-Scholes option pricing model. The fair value estimates are based on assumed risk-free rates ranging from 0.19% to 0.33%, expected terms ranging from 0.5 to 3.5 years, dividend yield of 0% and estimated volatility of 125%.

5. Trade and other receivables

	30 June 2022	**30 June 2021 (Restated)**
	($)	**($)**
Payment gateway receivables	1,822,545	2,106,798
Allowances for chargeback expenses (note 5.1)	(350,357)	(432,246)
Payroll tax credit	505,579	-
GST receivable	157,738	125,163
Receivables from trading exchanges (note 5.2)	594,606	3,653,138
Other receivables	36,823	49,579
Total trade and other receivables	**2,766,934**	**5,502,432**

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

(Expressed in Australian Dollars)

5. Trade and other receivables (continued)

5.1 Allowances for chargeback expenses

	30 June 2022 ($)	30 June 2021 ($)
Balance at beginning of year	(432,246)	-
Change in allowance, other than write-offs and recoveries	(311,755)	(1,641,003)
Write-offs of trade receivables	393,644	1,208,757
Balance at end of year	**(350,357)**	**(432,246)**

The expense during the year is presented as part of "chargeback expenses" in the general and administration expenses (refer note 23).

5.2 Receivables from trading exchanges represents the fair value of the digital and fiat currencies held at exchanges or with custodians (refer note 30 restatements for further details).

Receivables from trading exchanges are made to facilitate the Consolidated Entity's ability to transact more efficiently at various trading volumes. The Consolidated Entity maintains balances in digital currencies with exchanges from time to time in connection with the sale of cryptocurrencies in the ordinary course of business. The Consolidated Entity actively trades cryptocurrencies.

As there is no specific guidance in IFRS on cryptocurrencies held at exchanges or with custodians, the Consolidated Entity followed the requirements of "IFRS 9 Financial Instruments" for these assets held with liquidity providers ("LPs") and measures them at fair value on initial recognition and subsequently at Fair Value through Profit & Loss [FVTPL] as these balances are only held to facilitate Banxa's ability to transact more efficiently at various trading volumes in connection with the sale of cryptocurrencies in the ordinary course of business and the contractual terms with these LPs do give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at 30 June 2022 and 2021, balances held at exchanges, or with custodians, consisted of the following:

	30 June 2022		30 June 2021	
	Number of coins held	Value ($)	Number of coins held	Value ($)
Digital and fiat currencies held at exchanges or with custodians				
LTC	97.60	7,580	17,171.18	3,308,007
Link	-	-	1,615.45	40,509
BNB	0.48	450	288.48	111,791
BTC	0.30	11,562	-	-
ETH	8.22	13,307	1.68	4,768
Cash	N/A	33,755	N/A	50,150
USDT	N/A	565,651	N/A	147,810
USDC	N/A	10,596	-	-
XRP	15,973.41	7,825	-	-
WBTC	0.18	5,118	-	-
Other	390,419.09	50,568	N/A	-
Total digital and fiat currencies held at exchanges or with custodians		**706,412**		**3,663,035**
Provision for collectability		(111,806)		(9,897)
Net deposits		**594,606**		**3,653,138**

(Expressed in Australian Dollars)

6. Inventories

	30 June 2022 ($)	30 June 2021 ($)
Cryptocurrencies held for resale	883,885	45,311
	883,885	**45,311**

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

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

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

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

7. Prepaids

	30 June 2022 ($)	30 June 2021 ($)
Insurance	80,914	64,617
Consultancy fees	17,040	133,579
Other operational expenses	366,378	94,706
Total other assets	**464,332**	**292,902**

8. Goodwill

	30 June 2022 ($)	30 June 2021 ($)
Goodwill	151,643	151,643
	151,643	**151,643**

During the year ended 30 June 2022, the Consolidated Entity determined that there is no impairment of the goodwill arising from the European acquisition which occurred during the year ended 30 June 2020.

The recoverable amount of the goodwill is determined on the basis of value in use calculations of a Cash Generating Unit (CGU), being the European operation. The Consolidated Entity has determined that the recoverable amount calculations are most sensitive to changes in the following assumptions:

- assumptions in respect of continued growth in total transaction volume;
- expected average EBITDA of 0.30% (2021: 0.30%);
- terminal growth rate equal to CPI; and
- a discount rate of 30% (2021: 30%).

(Expressed in Australian Dollars)

9. Property, plant, and equipment

	30 June 2022 ($)	30 June 2021 ($)
Fixtures and fittings at cost	203,555	5,241
Less accumulated depreciation	(55,800)	-
Carrying amount of fixtures and fittings	**147,755**	**5,241**
Computer equipment at cost	103,705	69,078
Less accumulated depreciation	(103,705)	(39,075)
Carrying amount of computer equipment	**-**	**30,003**
Leasehold Improvements	463,512	-
Less accumulated depreciation	(116,190)	-
Carrying amount of leasehold improvements	**347,322**	**-**
Total property, plant and equipment	**495,077**	**35,244**

	30 June 2022 ($)	30 June 2021 ($)
Fixtures and fittings		
Carrying amount at beginning of year	5,241	-
Additions	198,314	5,241
Disposals	-	-
Depreciation expenses	(55,800)	-
Exchange differences	-	-
Carrying amount at end of year	**147,755**	**5,241**
Computer equipment		
Carrying amount at beginning of year	30,003	5,712
Additions	-	63,366
Disposals	(16,646)	-
Depreciation expenses	(13,357)	(39,075)
Exchange differences	-	-
Carrying amount at end of year	**-**	**30,003**
Leasehold improvements		
Carrying amount at beginning of year	-	-
Lease Incentive	463,512	
Additions	-	-
Disposals	-	-
Depreciation expenses	(116,190)	-
Exchange differences	-	-
Carrying amount at end of year	**347,322**	**-**
Total property, plant and equipment	**495,077**	**35,244**

(Expressed in Australian Dollars)

10. Right-of-use assets

	30 June 2022 ($)	30 June 2021 ($)
Buildings: Right-of-use		
Carrying amount at the beginning of the year	-	-
Additions	1,033,022	-
Disposals	-	-
Depreciation expenses	(269,623)	-
Carrying amount at end of year	**763,399**	**-**

The Consolidated Entity leases a building for its Melbourne office under a four-year agreement with an option to extend for another four years. The lease has various escalation clauses. Refer to note 16 for associated lease liabilities at the reporting date. The lease does not contain any variable lease payment terms.

11. Other Deposits - Bank Guarantee

	30 June 2022 ($)	30 June 2021 ($)
Bank Guarantee	505,516	252,758
Total Bank Guarantee	**505,516**	252,758

On 31 May 2022 a new bank guarantee of $252,758 was paid as a Tenant security deposit for the new office premises as requested by the landlord. Previous bank guarantee of $252,758 was redeemed on 29 August 2022.

12. Trade and other payables

	30 June 2022 ($)	30 June 2021 ($)
Trade payables	910,969	1,273,927
Employee withholdings payable	1,582,258	424,265
Other payables and accruals	3,126,844	1,686,031
Provision for legal settlements	100,000	418,189
Other	-	13,460
Total trade and other payables	**5,720,071**	**3,815,872**

(Expressed in Australian Dollars)

13. Borrowings

	30 June 2022 ($)	30 June 2021 ($)
Loans from director - unsecured, non-interest bearing	-	-
Credit card	-	74,934
Convertible notes	-	369,935
	-	444,869
Less current portion	-	(444,869)
Borrowings - non-current	-	**-**

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

The Company is not issuing any securities, paying any bonus, commission, or finder's fees in connection with the loans and the loans are not convertible, directly or indirectly, into equity or voting securities of the Company or a subsidiary of the Company. Loans made under the agreements are unsecured and are repayable at any time without penalty. Apollo and CCBV are affiliated companies of the Company's Chairman, Domenic Carosa. Accordingly, entering into the loan agreements constitute a related party transaction, together with any interest payments made in respect of the loans (Note 14).

14. Derivative liability

	30 June 2022 ($)	30 June 2021 ($)
Balance at beginning of period	1,127,457	76,664
Change in fair value - unrealised	(1,050,841)	1,050,793
Change in fair value - realised	1,187,707	-
Net change in fair value during period	136,866	1,050,793
Balance before conversion	1,264,323	1,127,457
Extinguished on conversion	(1,264,323)	-
Balance at end of period	**-**	1,127,457

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

The convertible notes were non-transferrable, carried compounding interest at a rate of 12% per annum and at the maturity date converted to common shares of the company at a conversion price of CAD$ of 0.85 per share.

The notes converted on 27 July 2021 through issue of 492,941 common shares. The market price at the time of conversion was CAD $3.07. The total equity issue was $1,634,258, representing the convertible note balance of $369,935 (see note 13) and the extinguishment of the derivative liability of $1,264,323.

(Expressed in Australian Dollars)

15. Provisions and Other liabilities

	30 June 2022 ($)	30 June 2021 ($)
Annual leave	586,600	265,463
Long service leave	109,362	53,281
Balance at end of year	**695,962**	318,744
Current	632,309	289,855
Non-current	63,653	28,889
Balance at end of year	**695,962**	**318,744**
Other Liabilities	**57**	**-**
Total provisions and Other Liabilities	**696,019**	**318,744**

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

16. Lease Liability

	30 June 2022 ($)	30 June 2021 ($)
Balance at beginning of period	-	-
New lease agreements - present value of lease liabilities	1,496,534	-
Lease payments made in the year	(402,600)	-
Accretion of interest	82,389	-
Balance at end of year	**1,176,323**	-
Lease liability - current portion	354,348	-
Lease liability - non-current portion	821,975	-
Total	**1,176,323**	-
Undiscounted Future Lease Payments due:		
Within 1 year	415,683	-
After 1 year but not more than 5 years	872,463	-
After more than 5 years	-	-
Total	**1,288,146**	-

16. Lease Liability (continued)

Low Value and Short-Term Leases

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

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

The Consolidated Entity had low-value lease expenses of $674 (2021: nil) and short-term lease expenses of $103,091 (2021: $19,528)

17. Issued Capital

a) Authorized share capital

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

b) Common shares issued

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

c) Prepaid shares

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

d) Capital management

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

(Expressed in Australian Dollars)

17. Issued Capital

Number of common shares	30 June 2022	30 June 2021
Number of common shares at beginning of period	44,744,034	19,066
Private placement prior to RTO	-	2,650
Acquisition consideration	-	55
Conversion of prepaid shares	-	274
BTC shares acquired through issue of RTO consideration	-	(22,045)
Common shares issued at RTO as consideration to BTC shareholders	-	38,314,204
Common shares attributable to pre-transaction ALBS shareholders	-	1,200,000
Common shares issued to arrangers and advisors of RTO	-	1,196,500
Stock options exercised	91,375	132,500
Warrants exercised	164,706	29,412
Private placement in April 2021	-	3,749,552
Common shares issued to placement advisors	-	121,866
Conversion of unsecured convertible note	492,941	-
Shares issued for services	70,000	-
Number of common shares at end of period	**45,563,056**	**44,744,034**

Issued capital	30 June 2022	30 June 2021
Share capital at beginning of period	20,913,753	6,523,314
Capital raised prior to RTO by BTC	-	4,744,400
Costs related to RTO	-	(848,658)
Shares issued by BTC in respect of acquisition payment	-	100,375
Shares issued including listing expenses	-	2,436,761
Private placement in April 2021	-	15,593,657
Value of placement attributed to attaching warrants	-	(5,385,036)
Proceeds from stock options exercised	40,528	105,766
Proceeds from warrants exercised	316,519	31,094
Shares issued to placement advisors	-	962,951
Cost of shares and warrants issued to placement advisors	-	(1,852,691)
Other share issue costs relating to private placement	-	(1,498,180)
Shares issued on conversion of note	1,634,258	-
Shares issued for services*	223,017	-
Issued capital at end of period	**23,128,075**	**20,913,753**

(Expressed in Australian Dollars)

18. Equity- Reserves

	30 June 2022	30 June 2021
Foreign currency translation reserve	1,156,524	511,245
Contributed surplus	11,619,713	8,695,175
Total reserves	**12,776,237**	**9,206,420**

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

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

19. Equity – accumulated losses

	30 June 2022	30 June 2021
Accumulated losses at the beginning of year	11,186,453	5,358,337
Net loss for the year	17,270,783	5,828,116
Accumulated losses at the end of the year	**28,457,236**	11,186,453

20. Stock options

The Company has adopted a share option plan whereby it is authorized to grant options to executive officers and directors, employees and/or consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. As at 30 June 2022, the aggregate maximum number of common shares issuable under the plan is 4,556,306 (30 June 2021: 4,474,403) common shares.

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

The following is a summary of the changes in the Company's share option activities for the years ended 30 June 2022 and 2021:

	30 June 2022		30 June 2021	
	Number of options	Weighted - average exercise price ($C)	Number of options	Weighted - average exercise price ($C)
Outstanding, beginning of the year	3,871,388	1.10	-	-
Granted	845,000	3.04	4,046,745	1.08
Expired	-	-	(42,857)	0.47
Cancelled/forfeited	(141,875)	2.13	-	-
Exercised	(91,375)	0.93	(132,500)	1.00
	4,483,138	**1.33**	**3,871,388**	**1.10**

(Expressed in Australian Dollars)

20. Stock options (continued)

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

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

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

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

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

In respect of the December 2020, February 2021, and June 2021 option grants, $2,081,011 was included as a share-based expense in the prior financial period, and $1,379,715 included as a share-based expense for the current period.

During the year-ended 30 June 2022, 845,000 options were issued as follows:

- 22 July 2021: 200,000 options expiring 1 October 2025 with an exercise price of $C 3.00;
- 10 August 2021: 25,000 options expiring 1 October 2025 with an exercise price of $C 3.00;
- 16 August 2021: 50,000 options expiring 1 October 2025 with an exercise price of $C 2.50;
- 16 September 2021: 30,000 options expiring 1 October 2025 with an exercise price of $C 3.00;
- 21 October 2021: 75,000 options expiring 1 January 2026 with an exercise price of $C 3.50;
- 9 November 2021: 100,000 options expiring 1 January 2026 with an exercise price of $C 3.50;
- 1 December 2021: 150,000 options expiring 1 December 2025 with an exercise price of $C 3.50;
- 5 April 2022: 65,000 options expiring 1 April 2026 with an exercise price of $C 2.50;
- 19 April 2022: 100,000 options expiring 1 July 2026 with an exercise price of $C 2.50; and
- 20 April 2022: 50,000 options expiring 1 April 2026 with an exercise price of $C 2.50.

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

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

	30 June 2022	30 June 2021
Share price	**$C 2.40 - $C 3.47**	$C 1.00 - $C 3.19
Exercise price	**$C 2.50 - $C 3.50**	$C 1.00 - $C 3.00
Risk-free interest rate	**0.78% - 2.74%**	0.19% - 0.97%
Expected term (in years)	**4.0 – 4.3**	0.5 – 5.0
Estimated dividend yield	**0%**	0%
Estimated volatility	**108% -125%**	125%

(Expressed in Australian Dollars)

20. Stock options (continued)

The following table summarizes information regarding share options outstanding and exercisable as at 30 June 2022:

	Outstanding			Exercisable	
Expiry Date	**Number of options**	**Weighted-average remaining contractual life (years)**	**Weighted average exercise price ($C)**	**Number of options**	**Weighted average exercise price - vested ($C)**
31 October 2023	48,000	1.3	0.47	48,000	0.47
01 April 2025	150,000	2.8	2.15	75,000	2.15
01 July 2025	100,000	3.0	3.00	37,500	3.00
01 October 2025	285,000	3.3	2.91	72,500	2.91
01 December 2025	150,000	3.4	3.50	37,500	3.50
22 December 2025	3,360,138	3.5	1.00	2,031,336	1.00
01 January 2026	175,000	3.5	3.50	21,875	3.50
01 April 2026	115,000	3.8	2.50	-	-
01 July 2026	100,000	4.0	2.50	-	-
	4,483,138	**3.1**	**1.45**	**2,323,711**	**1.18**

21. Warrants

The following is a summary of the changes in the Company's warrants for the years ended 30 June 2022 and 2021:

	30 June 2022		30 June 2021	
	Number of warrants	**Weighted - average exercise price ($C)**	**Number of warrants**	**Weighted - average exercise price ($C)**
Outstanding, beginning of the year	2,762,752	6.68	-	-
Granted	-	-	2,792,164	6.62
Expired	(41,712)	-	(29,412)	1.00
Cancelled/forfeited	-	-	-	-
Exercised	(164,706)	1.73	-	-
	2,556,334	**6.62**	**2,762,752**	**6.68**

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

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

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

(Expressed in Australian Dollars)

21. Warrants (continued)

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

On 8 April 2021, advisors to the Company's private placement were issued 202,787 share purchase warrants exercisable at $C 8.50 per share for a period of 42 months from the date of issuance. The fair value these warrants was determined as $889,740 and was debited to share issue costs within equity in the year ending 30 June 2021.

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

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

	30 June 2022	30 June 2021
Share price	-	$C 1.00 - $C 7.60
Exercise price	-	$C 1.00 - $C 8.50
Risk-free interest rate	-	0.20% - 0.46%
Expected term (in years)	-	2.0 - 3.5
Estimated dividend yield	-	0%
Estimated volatility	-	125%

During the year-ended 30 June 2022, 164,706 (2021: 29,412) warrants were exercised for proceeds of $290,286 (2021: $31,094)

22. Revenue

	30 June 2022 ($)	30 June 2021 ($)
Sales revenue		
Sales of cryptocurrencies	10,986,832	12,758,510
Integration revenue	-	212,054
Commissions and spread from services	60,609,625	33,000,094
Total sales revenue by type	**71,596,457**	**45,970,658**
Geographic regions		
Australia	13,955,766	15,157,271
North America	2,800,411	4,049,559
Europe	54,840,280	26,763,828
Total sales revenue by geographical region	**71,596,457**	**45,970,658**
Timing of revenue recognition		
Cryptocurrencies transferred at a point in time	10,986,832	12,758,510
Services transferred over time	-	212,054
Services transferred at a point in time	60,609,625	33,000,094
Total sales revenue by timing of recognition	**71,596,457**	**45,970,658**

(Expressed in Australian Dollars)

23. Expenses

	30 June 2022 ($)	30 June 2021 ($)
General, administration and other		
Bank charges	200,881	345,906
Chargeback expenses	1,218,956	1,686,905
Rental expense relating to operating leases	174,204	168,940
Travel	576,922	45,985
Software development	2,310,368	748,361
Legal, accounting, consulting	3,934,684	1,516,834
Marketing and advertising	1,296,276	148,096
Security audit	19,740	112,000
Investor relations	1,197,198	528,422
Insurance	156,250	63,438
Donations	54,500	-
Recruitment	1,602,606	-
Other	561,915	449,320
Total general, administration and other	**13,304,500**	**5,814,207**
Finance costs		
Share based finance charge	-	172,952
Interest on loans and borrowings	204,765	359,819
Interest on lease liabilities	82,389	-
Total finance costs	**287,154**	**532,771**
Net foreign exchange losses		
Realised Foreign exchange (gains)/losses	1,642,372	1,364,687
Unrealised Foreign exchange (gains)/losses	2,559,759	1,351,156
Total Foreign exchange losses	**4,202,131**	**2,715,843**

(Expressed in Australian Dollars)

24. Income Tax expenses

	30 June 2022 ($)	30 June 2021 ($)
Loss before Income tax expenses	**(17,041,897)**	(5,687,662)
Tax at the statutory Rate of 30% (2021:27%)	**(5,112,569)**	(1,535,669)
Effect of differences in tax rates globally	**457,242**	(17,946)
Tax effect amounts which are not deductible/(taxable) in Calculating taxable income		
Share-based payments	**877,362**	561,603
Listing expenses	**-**	726,439
Non-Assessable items	**-**	(166,589)
Other deductible items	**(399,816)**	(265,114)
Other Non-Deductible items	**1,414,416**	1,220,990
Other	**-**	(53,324)
	(2,763,365)	470,390
Current year losses not brought to Account	**2,992,251**	317,322
Utilisation of prior year tax losses	**-**	(647,258)
Income tax expenses	**228,886**	140,454
Other	**-**	53,324
Income tax payable	**228,886**	193,778

25. Loss per share

For the years ended 30 June 2022 and 2021, basic and diluted loss per share has been calculated as follows:

	30 June 2022 ($)	30 June 2021 ($)
Net loss after tax	(17,270,783)	(5,828,116)
Basic weighted average number of common shares	45,389,074	38,258,594
Diluted weighted average number of common shares	45,389,074	38,258,594
Basic net loss per share	**(0.38)**	**(0.15)**
Diluted net loss per share	**(0.38)**	**(0.15)**

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

(Expressed in Australian Dollars)

25. Loss per share (continued)

As at the year ended 30 June 2022, the basic and diluted weighted average number of common shares is 45,389,074 (30 June 2021 - 38,258,594). The basic and diluted net loss per share are $0.38 for the year. ended 30 June 2022 (30 June 2021 - $0.15)

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

	30 June 2022	30 June 2021
Common stock options	4,483,138	3,871,388
Warrants for the purchase of common stock	2,598,046	2,762,752
Convertible note conversion	-	492,941
Balance at end of period	**7,081,184**	**7,127,081**

26. 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:

	30 June 2022 ($)	30 June 2021 ($)
Salaries	1,919,642	1,385,950
Consulting fees including reimbursements at cost	405,509	429,732
Director’s fees	225,833	229,196
Share-based compensation	2,246,187	1,399,046
Total	**4,797,171**	**3,443,924**

Key management personnel were not paid post-employment benefits, termination benefits, or other (non share-based) long-term benefits during the year ended 30 June 2022 (2021: nil)

(Expressed in Australian Dollars)

26. Related party transactions (continued)

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

	30 June 2022 ($)	30 June 2021 ($)
Issue of arranger shares	-	722,945
Proceeds from loans for trade working capital ([1])	13,500,000	-
Repayment of loans for trade working capital ([1])	(13,500,000)	-
Payment of acquisition consideration	-	17
Proceeds of cryptocurrency loans for trade working capital([2])	979,165	493,608
Repayments of cryptocurrency loans for trade working capital([2])	(979,165)	(493,608)
Pre-acquisition loans to related party acquisitions	-	82,254
Rental payments at cost([3])	(10,631)	(134,932)
Sublease income([3])	26,040	-
Interest paid to related parties([1])	(79,314)	-
Repayments of loans to directors	-	(60,000)
Total	**(63,905)**	610,284

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

(c) As at 30 June 2022, included in trade and other payables is a balance of $9,778 (30 June 2021: $47,242) payable to related parties as follows:

	30 June 2022 ($)	30 June 2021 ($)
Directors of the Company	9,410	36,065
Officers of the Company	368	11,177
Total	**9,778**	**47,242**

(Expressed in Australian Dollars)

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

Classification of financial instruments

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

	30 June 2022 ($)	30 June 2021 (Restated) ($)
Financial assets at amortised cost		
Cash	9,364,013	18,615,803
Trade and other receivables	1,509,011	1,724,131
Financial assets at FVTPL		
Trade and other receivables	594,606	3,653,138
Total	**11,467,630**	**23,993,072**

	30 June 2022 ($)	30 June 2021 ($)
Financial liabilities at amortised cost		
Trade and other payables	5,720,071	3,815,782
Convertible notes	-	369,935
Borrowings	-	74,934
Financial liabilities at FVTPL		
Derivative liability	-	1,127,457
Total	**5,720,071**	**5,388,108**

Risk management policy

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

Credit risk

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

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

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 30 days. There is a liquidity management function within the business, which on a daily or more frequent basis manages and monitors the trading activities and volumes associated with amounts deposited with trading exchanges.

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

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

As at 30 June 2022, the Consolidated Entity held receivables from trading exchanges of $706,412 (30 June 2021: $3,663,035) together with payment gateway receivables of $1,822,545 (30 June 2021: $2,106,798). These amounts represent balances with exchanges or custodians that do not have system or organisation control reporting available.

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

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

While the Consolidated Entity intends to only transact with trading exchanges that it believes to be creditworthy, there can be no assurance that a trading exchange will not default and that the Consolidated Entity will not sustain a material loss on the transaction as a result. As of 30 June 2022, the Consolidated Entity 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.

(Expressed in Australian Dollars)

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

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.

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

30 June 2021	2022	2023	2024	2025	Thereafter
	$	$	$	$	$
Commitment - operational					
Trade payables	1,273,927	-	-	-	-
Accrued wages and other	424,265	-	-	-	-
Interest - Convertible note	53,591	-	-	-	-
Commitments - other					
Convertible notes	369,935	-	-	-	-
Credit card	74,934	-	-	-	-
Total contractual obligations	**2,196,652**	**-**	**-**	**-**	**-**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk.

Interest rate risk

The Consolidated Entity's has no debt outstanding at 30 June 2022 that is exposed to interest rate risk (30 June 2021: $369,935).

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 recognized 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.

(Expressed in Australian Dollars)

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

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

	Assets		Liabilities	
	30 June 2022	30 June 2021	**30 June 2022**	30 June 2021
Consolidated	**$**	$	**$**	$
US Dollars	**5,735,577**	7,284,476	**-**	338,059
Euros	**1,594,668**	1,737,749	**943,229**	65,285
Pound sterling	**408,861**	10,452,404	**-**	-
Canadian Dollars	**911,972**	2,341,065	**381,992**	1,565,249
Philippine peso	**-**	-	**-**	2,723
Turkish Lira	**13,636**	-	**-**	-
	8,664,714	21,815,694	**1,325,221**	1,971,316

The Consolidated Entity had net assets denominated in foreign currencies of $7,339,493 (assets of $8,664,714 less liabilities of $1,325,221) as at 30 June 2022 (30 June 2021: net assets of $19,844,378 (assets of $21,815,694 less liabilities of $1,971,316)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2021: weakened by 10%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Consolidated Entity's loss before tax for the year would have been $733,949 lower/$366,875 higher (2021: $1,984,438 lower/$992,219 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 year ended 30 June 2022 was $1,642,372 (2021: loss of $1,364,687).

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 cryptocurrencies 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.

(Expressed in Australian Dollars)

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

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.

28. Fair value measurement

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability

30 June 2022	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Inventories	-	883,885	-	**883,885**
Receivables from trading exchanges held in cryptocurrency and Tether	-	706,412	-	**706,412**
Total Assets	**-**	**1,590,297**	**-**	**1,590,297**

30 June 2021	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Assets				
Inventories	-	45,311	-	**45,311**
Receivables from trading exchanges held in cryptocurrency and Tether **(restated)**	-	3,663,035	-	**3,663,035**
Total Assets	**-**	**3,708,346**	**-**	**3,708,346**
Liabilities				
Derivative liability	-	1,127,457	-	**1,127,457**
Total Liabilities	-	**1,127,457**	**-**	**1,127,457**

There were no transfers between levels during the financial year.

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

(Expressed in Australian Dollars)

28. Fair value measurement (continued)

Receivables from trading exchanges in cryptocurrencies and Tether (note 5.2) and inventories (note 6) [collectively, the “digital assets”] are measured at fair value using Level 1 or Level 2 inputs. Digital asset prices are affected by various global forces including global supply and demand, interest rates, exchange rates, inflation or deflation and global political and economic conditions. The profitability of the Consolidated Entity is impacted by the current and future market price of digital assets; in addition, the Consolidated Entity may not be able to liquidate its inventory of digital currency at its desired price if required. A decline in the market prices for coins could negatively impact the Consolidated Entity’s future operations. The Consolidated Entity has not hedged the conversion of any its digital currency sales. Digital currencies have a limited history, and the fair value historically has been very volatile. Historical performance of digital currencies is not indicative of their future price performance. For the year ended 30 June 2022, management’s estimate of the effect on loss before tax of a +/- 15% (2021: 15%) change in the market price of the Consolidated Entity’s digital assets, with all other variables held constant, is +/- $233,481 (2021 restated: +/-$548,729).

29. Segmented Information

The Consolidated Entity conducts its business as a single operating segment. The Consolidated Entity maintains offices in Australia, North America, and Europe. Revenue by geographic region is included in note 22. The following table summarizes the Consolidated Entity’s assets and liabilities information by geographic region.

As at 30 June 2022:

	Australia	North America	Europe	Total
	$	$	$	$
Cash	6,532,528	911,987	1,919,498	9,364,013
Trade and other receivables	1,413,402	(9,933)	1,363,465	2,766,934
Inventories	883,885	-	-	883,885
Prepaids	190,629	273,703	-	464,332
Property, Plant and Equipment	495,077	-	-	495,077
Right-of-use assets	763,399	-	-	763,399
Goodwill	151,643	-	-	151,643
Other deposits	505,516	-	-	505,516
Total assets	**10,936,079**	**1,175,757**	**3,282,963**	**15,394,799**
Trade and other payables	3,722,118	550,564	1,447,389	5,720,071
Current tax liabilities	70,051	7,499	277,760	355,310
Provisions and other liabilities	696,019	-	-	696,019
Lease liability	1,176,323	-	-	1,176,323
Total liabilities	**5,664,511**	**558,063**	**1,725,149**	**7,947,723**

(Expressed in Australian Dollars)

29. Segmented Information (continued)

As at 30 June 2021:

	Australia	North America	Europe	Total
	$	$	$	$
Cash	4,445,493	2,377,818	11,792,491	18,615,802
Trade and other receivables **(restated refer note 30 Restatement for 30 June 2021)**	1,143,326	(49,092)	4,408,199	5,502,433
Inventories	45,311	-	-	45,311
Prepaids	187,806	105,096	-	292,902
Property, Plant and Equipment	19,331	-	15,913	35,244
Goodwill	151,643	-	-	151,643
Other deposits	252,758	-	-	252,758
Total assets	**6,245,668**	**2,433,822**	**16,216,603**	**24,896,093**
Trade and other payables	2,505,243	545,914	764,715	3,815,872
Borrowings	74,934	-	-	74,934
Convertible notes	369,935	-	-	369,935
Current tax liabilities	191,314	7,184	56,933	255,431
Provisions	318,744	-	-	318,744
Derivative liability	1,127,457	-	-	1,127,457
Total liabilities	**4,587,627**	**553,098**	**821,648**	**5,962,373**

30. Restatements for 30 June 2021 comparatives

Banxa's business model is to trade fiat and digital assets via trade exchanges. The year end balances in these accounts with the exchanges have been disclosed as Deposits under Consolidated Balance Sheet at Fair Value (refer note 8 Deposits in the Audited Financial Statements for the year ended 30-Jun-2021).

For the year ended 30 June 2022, Banxa's Management has performed a review of the terms and conditions attached with these exchanges with regards to the title (legal and beneficial) to the fiat and digital assets held for Banxa on these platforms and has formed the view that these Trade exchanges holds the title to the balances held with them. As these Trade exchanges/LPs hold the title to these assets, Banxa effectively becomes an unsecured creditor for the outstanding balances with these Trade exchanges/LPs and doesn't meet the criteria for these balances to be presented as "Deposits". Hence, the assets held with the Trade exchanges / LPs has been represented under Banxa's consolidated financial statements as at 30 June 2022 as "Receivables from trading exchanges" under Trade and other receivables (presented as "Deposits" up to the reporting period 30 June 2021).

Banxa considers this as an error resulting in change in the presentation of these balances in the consolidated balance sheets as per "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" as at 30 June 2022 and a restatement of 30 June 2021 balances. Accordingly, the balance relating to fiat and digital assets held with these trading exchanges for the comparative period as at 30 June 2021 amounting to $3,653,138 has been reclassified from Deposits to Trade and other receivables and the following restatements have been made:

(Expressed in Australian Dollars)

30. Restatements for 30 June 2021 comparatives (continued)

30.1 Consolidated Statements of Financial Position

	Note	30 June 2021 Audited ($)	Adjustment ($)	**30 June 2021 Restated ($)**
Assets				
Current assets				
Trade and other receivables	5	1,849,294	3,653,138	**5,502,432**
Deposits		3,653,138	(3,653,138)	**-**

30.2 Consolidated Statement of Changes in Cash Flows

	Note	30 June 2021 Audited ($)	Adjustment ($)	**30 June 2021 Restated ($)**
Changes in assets and liabilities:				
(Increase)/decrease in trade & other receivables ([2])	5	(1,115,993)	(3,653,138)	**(4,769,131)**
(Increase)/decrease in deposits		(3,599,080)	3,653,138	**54,058**

The restatement of the financial year 2021 had no impact on comprehensive income and or loss per common share

31. Contingent assets

There are no contingent assets as at 30 June 2022 and 2021.

32. Contingent liabilities

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

There are no contingent liabilities as at 30 June 2022 and 2021 and there are no outstanding litigations at the yearend that will give rise to a contingent liability.

33. Subsequent events

On September 19, 2022, the Company has announced that is has sold three of its non-core domain names, the Company received $3-million (Australian) ($2-million (U.S.)) from the sale of domain names and website assets coinloft.com.au, buyabitcoin.com.au and the premium domain bitcoin.com.au to one of Australia's leading cryptocurrency exchanges, Independent Reserve Pty. Ltd. (company No.: 164257069). The domain names were formerly part of Banxa's B2C (business to consumer) offering before the company refocused its business to serve the B2B (business to business) market several years ago. As part of the sale, the Company received $2.25-million (Australian) in cash and a $750,000 (Australian) equity stake in Independent Reserve. On October 18, 2022, the Company has announced that is has received approval for five additional U.S. money transmitter licenses (MTLs), The Company now holds seven approved MTLs in the United States with 33 more MTL applications pending.

33. Subsequent events (continued)

On October 26, 2022, the Company has announced that is has closed on the financing of $3.5-million pursuant to its previously announced convertible security financing agreement with Lind Global Fund II LP, an entity managed by The Lind Partners LLC, a New York based institutional fund manager. Under the financing agreement: (i) Lind advanced to Banxa $3.5 million, less a closing fee of $105,000, in consideration for the issuance of an uncertificated convertible security in the principal amount of $3.5-million and having an aggregate face value of $4.2-million; and (ii) the company issued to Lind 2,673,228 common share purchase warrants exercisable for 24 months from the date of issue at an exercise price of $1.27 per share.

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