

BANXA HOLDINGS INC
(formerly A-Labs Capital I Corp)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED 31 MARCH 2021

DATED: 26 May 2021

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Banxa Holdings Inc (formerly A-Labs Capital Corp)
Management's Discussion and Analysis of Financial Results
For the nine months ended 31 March 2021
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") is current as of 26 May 2021 and presents an analysis of the financial condition of Banxa Holdings Inc and its subsidiaries (collectively referred to as "BANXA", "BNXA" or the "Company") as at and for the three and nine months ended 31 March 2021 compared with the corresponding periods in the prior year. This MD&A should be read in conjunction with the Company's interim condensed consolidated financial statements and the related notes thereto for the nine months ended 31 March 2021. The financial information presented in this MD&A is derived from our interim condensed consolidated financial statements prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

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

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

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

Caution Regarding Forward-Looking Statements

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

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties.

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Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect, and we cannot assure that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, any investors or users of this document should not place undue reliance on these forward-looking statements.

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

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

Company Overview

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

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

BANXA has built a strong position in the Australian market and is now focusing on international expansion and the exploitation of new growth markets.

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

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

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The Company also has acquired a collection of premium 'www.bitcoin.country' domains to offer branded 'direct-to-customer' services (eg www.bitcoin.com.au).

BANXA earns revenue from commission fees and spread. It is therefore a "flow" based business, similar to international forex companies such as PayPal, TransferWise or Ant Financial and Australian forex company OFX. For consumers, the company has pioneered physical point of sale payment locations through its partnerships with Australia Post (4,500 post offices) and blueshyft (1,200 newsagents).

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

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

Cash Flow and Operating Expenses

The Company is currently in a growth phase, and that is reflected in increasing operating expenses. In particular, Salary expenses and General and Administrative expenses have increased significantly for the three and nine months ended 31 March 2021 compared to the three and nine months ended 31 March 2020. As the Company continues to grow its team and operations, we expect these expenses to further increase.

Summary of Changes in Operating Expenses and Cash Flow

- The Consolidated entity historically incurred losses, as well as reported net cash outflows from operating activities. During the nine months ended 31 March 2021, the Company used \$2,026,834 in operating activities, mainly due attributed to the loss during the period, but also impacts on working capital associated from significant increases in trading volumes. These included:
 - An increase in deposits with liquidity providers of \$6,663,204;
 - An increase in prepaid expenses of \$938,793;
 - An increase in accounts receivables of \$785,534;
 - An increase in digital currencies inventory of \$491,570; and
 - Offsetting the above cash outflows, increases in operating trade creditors and other payables of \$2,582,388;
 - An increase in income tax payable of \$1,103,112;
 - Non-cash items, including listing costs of \$2,690,513 and share-based compensation of \$1,218,501.
- Total transaction value (TTV) has increased markedly from \$25,259,587 during the nine months ended 31 March 2020 to approximately \$396,484,050 during the nine months ended 31 March 2021, which has contributed significantly to the Company's increased use of cash in operating expenses.

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	Nine months ended 31 March 2021	Nine months ended 31 March 2020
Cash used in operating activities	\$ (2,026,834)	\$ (1,696,976)
Cash used in investing activities	(400,068)	(1,310,472)
Cash used in operating and investing activities	\$ (2,426,902)	\$ (3,007,268)

- Salary expenses for the three months ended 31 March 2021 increased by \$1,183,967 to \$1,816,034 from \$632,067 for the three months ended 31 March 2020. Salary expenses for the nine months ended 31 March 2021 increased by \$2,051,215 to \$3,767,449 from \$1,716,234 for the nine months ended 31 March 2020.
- Share based expense was \$nil for the three and nine months ended 31 March 2020. During the second and third quarter of the current year, the Company granted a total of 3,946,745 stock options to various staff, consultants, directors and officers of the Company, and recognized an expense of \$1,117,860 during the three months and \$1,218,501 during the nine months ended 31 March 2021.

Business Segments

BANXA is able to leverage its payment and technology network together with its compliance systems to service two market segments, B2C and B2B:

- B2B – Banxa's payment infrastructure is being used by global crypto exchanges and wallets to offer their customers instant fiat-to-crypto conversions (fiat on-ramps) together with certain compliance processes.
- B2C - For our consumer business, our mission is to onboard the masses to crypto currency by converting fiat-to-crypto through our collection of premium 'www.bitcoin.country' domains where consumers can instantly buy digital assets.

B2B – FIAT Aggregator to the Digital Asset Industry

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

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

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BANXA further combines payment infrastructure, fraud detection and mitigation and regulatory compliance into a single product, which increases our clients' addressable market and reduces their customer acquisition cost. We protect our clients from chargebacks and are able to process conversion requests in as little as 10 minutes depending on the selected payment method and individual compliance requirements.

B2C – Branded Bitcoin Platform

Our consumer platforms provide education material for new users and we have partnered with large organisations, sometimes government backed, such as Australia Post, to bring Bitcoin to the public. With a proven business model in Australia we have been rolling out to stronger global markets which will drive further growth to the group.

Non-IFRS Financial Measures – Adjusted EBITDA

This MD&A references adjusted EBITDA, which is a non-IFRS financial measure. Adjusted EBITDA is not a recognized measure under IFRS, has no standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to adjusted EBITDA presented by other companies. Rather, it is provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from management's perspective. Accordingly, adjusted EBITDA should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

We use non-IFRS financial measures to provide investors with supplemental measures of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We believe that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. There are certain limitations related to the use of non-IFRS financial measures versus their nearest IFRS equivalents. Investors are encouraged to review our financial statements and disclosures in their entirety and are cautioned not to put undue reliance on any non-IFRS financial measure and view it in conjunction with the most comparable IFRS financial measures. In evaluating non-IFRS financial measures, you should be aware that in the future we will continue to incur expenses similar to those adjusted in non-IFRS financial measures.

Adjusted EBITDA is a non-IFRS financial measure that we calculate as net income (loss) before tax excluding depreciation and amortization expense, share based expense, unrealized gain on inventory, finance expense and listing expense. Adjusted EBITDA is used by management to understand and evaluate the performance and trends of the Company's operations. The following table shows a reconciliation of adjusted EBITDA to net income (loss) before tax, the most comparable IFRS financial measure, for the three and nine months ended 31 March 2021 and 2020:

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	Nine months ended 31 March 2021	Nine months ended 31 March 2020	Three months ended 31 March 2021	Three months ended 31 March 2020
Loss before tax	\$ (1,079,542)	\$ (2,173,576)	\$ (171,497)	\$ (635,039)
Depreciation and amortization	25,418	464,608	9,243	154,869
Share based expense	1,218,501	-	1,117,860	-
Gain on fair value of inventory	(2,744,986)	-	(380,364)	-
Finance expense	580,826	-	399,123	-
Listing expense	2,690,513	-	-	-
Adjusted EBITDA	\$ 690,730	\$ (1,708,968)	\$ 974,365	\$ (480,170)

Financial Performance Review

Revenue

As a result of recent increases in Bitcoin prices and increased trading volumes from new partners, BNXA has experienced a significant increase in revenues. Total revenues increased by \$23,774,723 to \$28,414,218 during the nine months ended 31 March 2021 from \$4,639,495 for the nine months ended 31 March 2020 – an increase of 512%. For the three months ended 31 March 2021 revenue increased by \$19,684,029 or 1,479% to \$21,014,937 from \$1,330,908 for the three months ended 31 March 2020.

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

	Nine months ended 31 March 2021	Nine months ended 31 March 2020	Three months ended 31 March 2021	Three months ended 31 March 2020
Commissions and spread from services	\$ 16,647,169	\$ 1,295,842	\$ 13,280,713	\$ 410,990
Integration revenue	146,616	-	36,429	-
Sale of cryptocurrencies	11,620,433	3,343,653	7,697,795	919,918
Total revenue	\$ 28,414,218	\$ 4,639,495	\$ 21,014,937	\$ 1,330,908

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The following table shows revenue by geographical regions:

	Nine months ended 31 March 2021	Nine months ended 31 March 2020	Three months ended 31 March 2021	Three months ended 31 March 2020
Australia	\$ 12,966,126	\$ 4,639,495	\$ 9,864,611	\$ 1,330,908
North America	1,981,291	-	1,981,291	-
Europe	13,466,801	-	9,169,035	-
Total revenue	\$ 28,414,218	\$ 4,639,495	\$ 21,014,937	\$ 1,330,908

Risk Management and Critical Accounting Estimates

The current outbreak of COVID-19, and any future emergence and spread of similar pathogens, could have a material adverse effect on global and local economic and business conditions which may adversely impact our business and results of operations, and the operations of contractors and service providers. The overall economic impacts of COVID-19 could include an impact on our ability to obtain debt and equity financing or potential future decreases in revenue or the profitability of our ongoing operations. The extent of the impact that this pandemic may have on the Canadian economy and the Company's business is currently highly uncertain and difficult to predict. Accordingly, there is a higher level of uncertainty with respect to management's judgements and estimates at this time, particularly as it relates to the measurement of allowance for loan losses and fair valuation of our investment portfolio. We will continue to revisit our judgements and estimates where appropriate in future reporting periods as economic conditions surrounding the COVID-19 pandemic continue to evolve.

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Results of Operations

The following table sets forth a summary of our results of operations for the three and nine months ended 31 March 2021 and 2020:

	Three months ended		Nine months ended	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
Revenue				
Revenue from sale of goods and services	\$ 21,014,937	\$ 1,330,908	\$ 28,414,218	\$ 4,639,495
Cost of sales and services	14,964,362	561,394	20,207,677	3,159,013
Gross profit	6,050,575	769,514	8,206,541	1,480,482
Operating expenses				
Salary expense	1,816,034	632,067	3,767,449	1,716,234
Amortization and depreciation	9,243	154,869	25,418	464,608
Share based compensation	1,117,860	-	1,218,501	-
General and administration	3,091,475	560,138	4,621,621	1,415,312
Total operating expenses	6,034,612	1,347,074	9,632,989	3,596,154
Income (loss) from operations before other items and income tax	15,963	(577,560)	(1,426,448)	(2,115,672)
Other income/ (expenses)				
Gain on fair value of inventory	380,364	-	2,744,986	-
Other Income	415,510	30	672,436	1,009
Foreign exchange gains/ (losses)	(584,211)	(57,509)	200,823	(58,913)
Finance expense	(399,123)	-	(580,826)	-
Listing expenses	-	-	(2,690,513)	-
Total other income/ (expenses)	(187,460)	(57,479)	346,906	(57,904)
Loss before tax	(171,497)	(635,039)	(1,079,542)	(2,173,576)
Income tax expense	(1,200,000)	-	(1,200,000)	(347,791)
Net loss for the period	\$ (1,371,497)	\$ (635,039)	\$ (2,279,542)	\$ (2,521,367)
Other comprehensive loss				
Foreign currency translation	(366,841)	-	(410,710)	(8,998)
Total other comprehensive loss	(366,841)	-	(410,710)	(8,998)
Total comprehensive loss	\$ (1,738,338)	\$ (635,039)	\$ (2,690,252)	\$ (2,530,365)

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Key Income Statement Components

Revenue from sale of goods and services

The following table summarizes total revenue for the three and nine months ended 31 March 2021 and 2020:

	Nine months ended 31 March 2021	Nine months ended 31 March 2020	% Change	Three months ended 31 March 2021	Three months ended 31 March 2020	% Change
Commissions and spread from services	\$ 16,647,169	\$ 1,295,842	1,185%	\$ 13,280,713	\$ 410,990	3,131%
Sale of cryptocurrencies	11,620,433	3,343,653	248%	7,697,795	919,918	737%
Integration revenue	146,616	-	NA	36,429	-	NA
Total revenue	\$ 28,414,218	\$ 4,639,495	512%	\$ 21,014,937	\$ 1,330,908	1,479%

Commissions received from exchange services – represents revenues from BNXA's B2B and B2C business.

Sale of cryptocurrencies - represents revenues from BNXA's B2B and B2C consumer business operations.

Integration revenue - represents revenues from setup fees charged to B2B partners.

Total revenues increased by \$23,774,723 or 512% to \$28,414,218 during the nine months ended 31 March 2021 from \$4,639,495 for the nine months ended 31 March 2020. For the three months ended 31 March 2021 revenue increased by \$19,684,029 or 1,479% to \$21,014,937 from \$1,330,908 for the three months ended 31 March 2020.

During the nine-month period, the Consolidated entity has changed its process for classifying the amount of spread earned on agency transactions. This change in accounting estimate was the result new information now available, following continued improvements to internal reporting systems, to determine to the allocation of spread income (\$10,531,777 for the three months ending 31 March 2021). Prior to 1 January 2021, the agency spread amount was determined by applying an estimated percentage to total agency transactions. The change in accounting estimate has not been retrospectively adjusted for periods prior to 1 January 2021. It is not practical to determine the impact on future periods of the change in estimate.

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Cost of sales and services

The following table summarizes the cost of revenue for the three and nine months ended 31 March 2021 and 2020:

	Nine months ended 31 March 2021	Nine months ended 31 March 2020	% Change	Three months ended 31 March 2021	Three months ended 31 March 2020	% Change
Cost of sales and services	\$ 20,207,677	\$ 3,159,013	540%	\$ 14,964,362	\$ 561,394	2,566%
% of total revenue	71%	68%		71%	42%	

Due to the higher price of bitcoin and resulting larger transaction values, the Company's costs of sales and services also increased for the current year periods over the prior year periods. This is also impacted by the sales mix between agency and principal.

Operating expenses

The following table provides the operating expenses for the three and nine months ended 31 March 2021 and 2020:

	Nine months ended 31 March 2021	Nine months ended 31 March 2020	% Change	Three months ended 31 March 2021	Three months ended 31 March 2020	% Change
Salary expenses	\$ 3,767,449	\$ 1,716,234	120%	\$ 1,816,034	\$ 632,067	187%
Depreciation and amortization	25,418	464,608	(95%)	9,243	154,869	(94%)
Share based compensation	1,218,501	-	NA	1,117,860	-	NA
General and administration	4,621,621	1,415,312	227%	3,091,475	560,138	452%
Total operating expenses	\$ 9,632,989	\$ 3,596,154	168%	\$ 6,034,612	\$ 1,347,074	348%
% of total revenue	34%	78%		29%	101%	

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Depreciation and amortization

The following table provides the depreciation and amortization expenses for the three and nine months ended 31 March 2021 and 2020:

	Nine months ended 31 March 2021	Nine months ended 31 March 2020	% Change	Three months ended 31 March 2021	Three months ended 31 March 2020	% Change
Back-end Platform	\$ -	\$ 98,799	(100%)	\$ -	\$ 32,933	(100%)
Customer Interface Platform	-	49,401	(100%)	-	16,467	(100%)
Customer List	-	311,460	(100%)	-	103,820	(100%)
Website development	-	4,948	(100%)	-	1,649	(100%)
Computer equipment	25,418	-	NA	9,243	-	NA
Total depreciation and amortization	\$ 25,418	\$ 464,608	(95%)	\$ 9,243	\$ 154,869	(94%)
% of total revenue	0%	10%		0%	12%	

Salary expenses

Due to the growth of the Company and its team, salary expenses have increased for the three and nine months in the current year. For the nine months ended 31 March 2021, salary expenses increased by 120% or \$2,051,215 to \$3,767,449 from \$1,716,234 for the nine months ended 31 March 2020. For the three months ended 31 March 2021, salary expenses increased by \$1,183,967 or 187% to \$1,816,034 from \$632,067 for the three months ended 31 March 2020.

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General and administration

The following table provides the general and administration for the three and nine months ended 31 March 2021 and 2020:

	Nine months ended 31 March 2021	Nine months ended 31 March 2020	% Change	Three months ended 31 March 2021	Three months ended 31 March 2020	% Change
Bank charges	\$ 174,435	\$ 6,456	2,602%	\$ 107,639	\$ (32,413)	432%
Provisions for recoverability/bad debts	2,281,289	378	603,416%	1,962,861	(32,305)	6,176%
Rental expenses relating to operating leases	93,844	62,107	51%	48,917	13,636	259%
Travel	44,054	120,981	(64%)	24,494	48,130	(49%)
Software development expenses	437,174	210,147	108%	236,375	78,590	201%
Legal, accounting, consulting	1,117,663	472,845	136%	387,224	260,312	49%
Marketing and advertising	34,906	199,261	(82%)	17,147	45,089	(62%)
Security audit	74,200	7,000	960%	32,200	7,000	360%
Investor relations	157,969	-	NA	138,264	-	NA
Listing costs	93,909	-	NA	93,909	-	NA
Other	112,178	336,137	(67%)	42,445	172,099	(75%)
Total general and administration expenses	\$ 4,621,621	\$1,415,312	227%	\$ 3,091,475	\$ 560,138	452%
% of total revenue	16%	31%		15%	42%	

Provisions for recoverability/bad debts increased by 603,416% or \$2,280,911 to \$2,281,289 for the nine months ended 31 March 2021 from \$378 for the nine months ended 31 March 2020 due to higher transaction values in the current period. An increase of \$1,995,166 or 6,176% is also seen for the three month period.

Travel expenses reduced significantly by 64% or \$76,927 to 44,054 for the nine months ended 31 March 2021 from \$120,981 for the nine months ended 31 March 2020. The decrease was due to the COVID-19 pandemic and resulting world-wide travel bans as well as work-from-home order and arrangements. A decrease of 49% or \$23,636 is also seen for the three-month period.

Software development expenses increased by 108% or \$227,027 to \$437,174 for the nine months ended 31 March 2021 from \$210,147 for the nine months ended 31 March 2020. An increase of \$157,785 or 201% is also seen for the three-month period. The increase is due to higher importance being given to the Company's development of the B2B sector.

Legal, accounting and consulting expenses increased by 136% or \$644,818 to \$1,117,663 for the nine months ended 31 March 2021 from \$472,845 for the nine months ended 31 March 2020. The reason for the significant increase is the Company's listing at the TSX Venture Exchange in Canada, and related

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legal and accounting costs. Included in this amount is a provision of \$463,021 for potential legal claims related to historical transactions. The probability of settlement cannot be determined and the Company believes that any claims would not have merit and the Company will vigorously defend against any claims.

Other Income and (Expense)

The following table provides a breakdown of other income and (expenses) by type for the three and nine months ended 31 March 2021 and 2020:

	Nine months ended 31 March 2021	Nine months ended 31 March 2020	% Change	Three months ended 31 March 2021	Three months ended 31 March 2020	% Change
Gain on inventory re-valuation	\$ 2,744,986	\$ -	NA	\$ 380,364	\$ -	NA
Other income	672,436	1,009	NA	415,510	30	NA
Foreign exchange gain/(losses)	200,823	(58,913)	(441%)	(584,211)	(57,509)	916%
Finance expense	(580,826)	-	NA	(399,123)	-	NA
Listing expenses	(2,690,513)	-	NA	-	-	NA
Other income (expenses)	\$ 346,906	\$ (57,904)	(699%)	\$ (187,460)	\$ (57,479)	226%
% of total revenue	1%	(1%)		(1%)	(4%)	-

Total other income was \$346,906 in the nine months ended 31 March 2021, compared to expenses of \$57,9064 in the same period last year. For the three months ended 31 March 2021, total other expense was \$187,460 compared to \$57,479 for the three months ended 31 March 2020. The income in the current year nine month period is primarily attributable to a gain on inventory re-valuation of \$2,744,986, which is partially offset by the listing expenses that resulted in the Company being listed on the TSX Venture Exchange in Canada.

The Company held 6.78 bitcoin as at 31 March 2021 that are valued as follows:

	Cost	Fair value	Unrealized gain
	\$	\$	\$
Per bitcoin (average)	77,366	77,366	-
Total bitcoin inventory	524,629	524,629	-

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Selected Quarterly Information

	Q3 FY2021	Q2 FY2021	Q1 FY2021
	\$	\$	\$
Total revenue	21,014,937	4,496,380	2,902,901
Net loss after tax	(1,371,497)	(468,335)	1,160,987
Comprehensive loss	(1,738,338)	(457,818)	1,160,987
Basic and diluted loss per common share	(0.03)	(0.01)	(0.03)

Key Quarterly Trends

Total revenue has increased during last quarter primarily due to both the increase in Bitcoin prices, the underlying volume of trades, and the resulting increase in transaction values in all of the Company's operations.

Net and comprehensive loss have increased over the last quarter due to increased operating expenses as well as the listing expenses that were incurred in order to list the Company on the TSX Venture Exchange in Canada. Expenses were partially offset by increased revenues and gross profit for the period.

Key Balance Sheet Components

The following table provides a summary of the key balance sheet components as at 31 March 2021 and 30 June 2020:

	31 March 2021	30 June 2020
	\$	\$
Cash and cash equivalents	9,789,631	2,067,304
Trade and other receivables	565,491	761,766
Inventories	524,629	33,059
Deposits	7,293,022	1,029,887
Total assets	19,276,369	4,053,002
Trade and other payables	4,307,679	1,493,313
Borrowings	2,503,696	537,474
Unissued securities -private placement	4,457,075	-
Total liabilities	12,822,534	2,826,791

Total assets increased by \$15,223,367 during the nine months ended 31 March 2021, driven primarily by increases in cash and cash equivalents, and deposits due to increased transaction values. Total liabilities increased by \$9,995,743 during the nine months ended 31 March 2021, driven primarily by increased trade and other payables as well as subscription funds of \$4,457,075 received for the private placement that closed subsequent to the period end.

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Trade and other receivables

The following table provides a breakdown of trade and other receivables as at 31 March 2021 and 30 June 2020:

	31 March 2021	30 June 2020
Payment gateway receivables	\$ 1,464,691	\$ 713,328
Allowance for expected credit losses	(1,010,695)	-
Other	4,375	10,000
GST receivable	107,120	38,438
Total trade and other receivables	\$ 565,491	\$ 761,766

Total trade and other receivables decreased by \$196,275 during the nine months ended 31 March 2021.

Inventory

The following table provides a breakdown of inventory as at 31 March 2021 and 30 June 2020:

	31 March 2021	30 June 2020
Crypto currency held for resale	\$ 524,629	\$ 33,059
Total Inventory	\$ 524,629	\$ 33,059

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

Deposits

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

The following table provides a breakdown of deposits as at 31 March 2021 and 30 June 2020:

	31 March 2021	30 June 2020
Deposits with trading exchanges	\$ 4,870,752	\$ 606,689
Deposits with trading exchanges held in cryptocurrency, Tether	2,822,339	423,198
Provision for recoverability	(400,069)	-
Total deposits	\$ 7,293,022	\$ 1,029,887

Deposits with trading exchanges are made to facilitate the consolidated entity's ability to transact more efficiently at various trading volumes. Deposits with trading exchanges held in crypto currency are measured at fair value less cost to sell, in accordance with the consolidated entity's accounting policy for crypto currencies and in accordance with IAS 2 Inventories.

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Trade and other payables

The following table provides a breakdown of trade and other payables as at 31 March 2021 and 30 June 2020:

	31 March 2021	30 June 2020
Trade payables	\$ 1,421,461	\$ 707,057
Other payables and accruals	1,980,578	571,487
Accrued interest	152,656	6,773
Other payables	75,910	78,061
Employee withholdings payable	214,053	123,196
Provision for legal settlements	463,021	-
Payment provider liabilities	-	6,739
Total trade and other payables	\$ 4,307,679	\$ 1,493,313

Borrowings

The following table provides a breakdown of borrowings as at 31 March 2021 and 30 June 2020:

	31 March 2021	30 June 2020
Loans from directors (unsecured, non-interest bearing)	\$ -	\$ 60,000
Credit card	57,097	30,875
Convertible Note	446,599	446,599
Short-term unsecured loans	2,000,000	-
Total borrowings	\$ 2,503,696	\$ 537,474

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.

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(a) Remuneration of directors and key management personnel of the Company for the three and nine months ended 31 March 2021 and 2020 was as follows:

	Three months ended 31 March 2021	Three months ended 31 March 2020	Nine months ended 31 March 2021	Nine months ended 31 March 2020
	\$	\$	\$	\$
Salaries	350,709	172,147	824,514	426,297
Consulting fees including reimbursements at cost	144,094	180,027	403,571	627,323
Director fees	81,788	36,000	153,788	92,250
Share-based compensation	778,503	-	852,856	-
Total Remuneration	1,355,094	388,174	2,234,729	1,145,870

Key management personnel were not paid post-employment benefits, termination benefits, or other long-term benefits during the three and nine months ended 31 March 2021 and 2020.

(b)

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

	Three months ended 31 March 2021	Three months ended 31 March 2020	Nine months ended 31 March 2021	Nine months ended 31 March 2020
	\$	\$	\$	\$
Issue of arranger shares	-	-	722,945	-
Repayment of loans	(580,000)	-	60,000	-
Payment of acquisition consideration	-	-	17	-
Advances of cryptocurrency	-	-	493,608	-
Repayments of cryptocurrency loans	(493,608)	-	(493,608)	-
Pre-acquisition loans to related party acquisitions	-	-	82,254	1,503,110
Rental payments at cost	41,277	15,527	84,259	62,107
Purchase of Bitcoin for resale	-	67,014	-	67,014

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As at 31 March 2021, included in Borrowings is a balance of \$nil (30 June 2020: \$60,000) payable to related parties as follows:

	As at 31 March 2021	As at 30 June 2020
	\$	\$
Directors of the company	-	60,000
Total Borrowings to related parties	-	60,000

As at 31 March 2021, included in Trade and Other Payables is a balance of \$171,455 (30 June 2020: \$54,242) payable to related parties as follows:

	As at 31 March 2021	As at 30 June 2020
	\$	\$
Directors of the company	135,945	33,997
Officers of the company	10,689	10,818
Employees of the company	24,821	9,427
Total Trade and Other Payables to related parties	171,455	54,242

Off-Balance Sheet Arrangements

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

Liquidity and Capital Resources

As at 31 March 2021 the Company had \$9,789,631 in cash and cash equivalents compared to \$2,067,304 as at 30 June 2020. Working capital was \$6,773,680 at 31 March 2021 compared to \$1,537,856 as at 30 June 2020.

During the nine months ended 31 March 2021, the Company had a net increase in cash of \$7,722,327 compared to a decrease of \$280,305 during the nine months ended 31 March 2020.

Capital raised by the Company during the nine months ended 31 March 2021 has been utilised for increased working capital requirements, to further improve the business through product enhancements and operational optimisation, and to fund transaction advisory expenditures.

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Cash Flow Summary

The following table provides a summary of cash inflows and outflows by activity for the nine months ended 31 March 2021 and 2020:

	Nine months ended 31 March 2021	Nine months ended 31 March 2020
Cash used in operating activities	(2,026,834)	(1,666,976)
Cash used in investing activities	(400,068)	(1,310,472)
Cash provided in financing activities	10,149,229	2,697,143
Net increase (decrease) in cash for the period	\$7,722,327	\$(280,305)

Cash used in operating activities

Our operating activities consist of our crypto currency sales and services revenue inflows and our cash operating expense outflows.

Cash used in operating activities was \$2,026,834 in the nine months ended 31 March 2021, increased from \$1,666,796 in the same period last year. This increase was driven primarily by an increase in trading activities as well as activities on trading platform in the capacity of an agent. The increased revenue activity was accompanied by increased outflows to increase deposits with liquidity providers, pay suppliers, employees and increase inventory.

Cash used in operating activities during the period included the impact on working capital associated with significant increases in trading volumes. These included:

- An increase in deposits with liquidity providers of \$6,663,204;
- An increase in receivables of \$785,534;
- An increase in inventory of \$491,570; and
- Offsetting the above cash outflows, increases in trade and other payables of \$2,582,388, increase in taxes payable of \$1,103,112.

Cash used in investing activities

Our investing activities consist primarily of the acquisition of equipment, advances to a director-related entity as well as the acquisition of the same. For the nine months ended 31 March 2021, cash used in the purchase of equipment was \$29,236 compared to \$nil in the same period in 2020. The Company also paid advances to a director-related entity of \$82,254 prior to its acquisition compared to \$1,261,356 during the nine months ended 31 March 2020. The Company subsequently acquired the entity for a nominal sum, including its cash reserves of \$111,047.

During the nine months ended 31 March 2021, the company made cash payments of \$399,625 in respect of deferred acquisition consideration.

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Cash provided by financing activities

Historically, our financing activities have consisted primarily of the issuance of our common shares and the utilization of credit card borrowings.

For the nine months ended 31 March 2021 the Consolidated entity had net proceeds from capital raising of \$3,725,932 compared to \$2,706,291 for the same period in 2020. The Consolidated entity increased its credit card borrowings by \$26,222 during the nine months ended 31 March 2021 compared to repayments of \$9,148 made during the nine months ended 31 March 2020. The Company also received \$4,457,075 from unissued units and proceeds of \$2,000,000 from unsecured borrowings. These cash inflows were slightly offset by a repayment of a loan from a related party of \$60,000.

Contractual Obligations

The following table shows contractual obligations as at 31 March 2021.

	2021	2022	Thereafter	Total
<i>Commitments</i>				
Trade payables	\$ 4,307,679	\$ -	\$ -	\$ 4,307,679
Employee benefits	206,741	-	34,419	241,160
Borrowings	2,057,097	446,599	-	2,503,696
Total contractual obligations	\$ 6,571,517	\$ 446,599	\$ 34,419	\$ 7,052,535

Disclosure of Outstanding Shares

Our authorized capital consisted of an unlimited number of common shares without par value and an unlimited number of preferred shares, issuable in one or more series. As of 31 March 2021 and the date of this MD&A, no preferred shares have been issued and the following common shares, and rights to acquire common shares, were outstanding:

Class of Security	Number outstanding as at 31 March 2021	Number outstanding as at 26 May 2021
Common shares	40,776,171	44,647,589
Share purchase warrants	696,954	2,774,517
Stock options	3,898,745	3,898,745

Risks and Uncertainties

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

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Following the global spread of COVID-19, management cannot estimate whether or to what extent this outbreak and potential financial impact may extend to countries outside of those currently impacted. The future impact of the outbreak is highly uncertain and cannot be predicted, and there is no assurance that the outbreak will not have a material adverse impact on BTC's ability to complete the Transaction. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19.

Financial risk management objectives

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

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

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Market Risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting dates were as follows:

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	Assets		Liabilities	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
Consolidated	\$	\$	\$	\$
US dollars	7,741,151	7,616	830,929	26,623
Euro	3,566,492	3,978	15,180	-
GBP	1,659,881	-	1,482	-
Singapore dollars	-	-	803	11,687
Canadian dollars	419,244	-	5,694,196	116,684
Malaysian ringgit	-	-	405	-
Philippine peso	-	-	14,123	-
	13,386,768	11,594	6,557,118	154,994

The consolidated entity had net assets denominated in foreign currencies of \$6,829,650 (assets of \$13,386,768 less liabilities of \$6,557,118) as at 31 March 2021 (31 March 2020: net liabilities \$143,400 (assets of \$11,594 less liabilities of \$154,994)). Based on this exposure, had the Australian dollar weakened by 10%/strengthened by 5% (2020: 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 \$682,965 lower/\$341,482 higher (31 March 2020: 14,340 higher/\$7,170 lower). 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 nine month period for each year and the spot rate at each reporting date. The actual foreign exchange gain for the nine months ended 31 March 2021 was \$200,823 (31 March 2020: loss of \$58,915).

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company's trading margins provide a hedge against movements in the price of cryptocurrencies. The Company's primary price risk relates to its inventory of Bitcoin holdings. A 10% increase (decrease) in the trading price of Bitcoin would increase (decrease) on net income/(loss) before tax by \$52,463.

Interest rate risk

The consolidated entity's convertible note outstanding, totalling \$446,599 (2020: \$446,599), is an interest only liability. Quarterly cash outlays of approximately \$13,397 (2020: nil) are required to service the interest payments. An official increase in interest rates of 100 (2020: 100) basis points would have an adverse effect on loss before tax of \$223 (2020: \$223) per annum. The percentage change is based on the expected volatility of interest rates using market data and analyst's forecasts.

Credit risk

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

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maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount of cash and cash equivalents and trade and other receivables, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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 crypto currencies 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. Therefore, there is risk around the occurrence of transactions or the existence of period end balances represented by exchanges. As at 31 March 2021, the consolidated entity held deposits with trading exchanges of \$7,693,091 (30 June 2020 \$1,029,887) together with payment gateway receivables of \$1,464,691 (30 June 2020 \$713,328). 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 regards to OTC counterparties, on which the consolidated entity has performed the relevant AML and KYC procedures. As at 31 March 2021, the consolidated entity does not expect any material unprovided loss of any of its digital assets. As of each reporting period, the consolidated entity assesses if there may be expected credit losses requiring a provision. As at 31 March 2021 the consolidated entity is exposed to credit risk. 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 the consolidated entity could sustain a material loss on the transaction as a result.

Liquidity Risk

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

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

The Company's trade payables and accruals are substantially due within twelve months. The maturity schedule of the Company's credit facilities and convertible debentures are described below:

31 March 2021	2022	2023	Thereafter	Total
Commitment – operational				
Trade payables	\$ 1,421,461	\$ -	\$ -	\$ 1,421,461
Accrued wages and other expenses	214,053	-	-	214,053
Interest – unsecured loans	-*	-	-	-
Interest – Convertible note	53,591	-	-	53,591
Commitments – principal repayments				
Unsecured loans	2,000,000	-	-	2,000,000
Convertible note	-	446,599	-	446,599
Credit card	57,097	-	-	57,097
Total contractual obligations	\$ 3,746,202	\$ 446,599	\$ -	\$ 4,192,801

* unsecured loans were repaid in April 2021

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31 March 2020	2021	2022	Thereafter	Total
Commitment – operational				
Trade payables	\$ 616,780	\$ -	\$ -	\$ 616,780
Accrued wages and other expenses	172,988	-	-	172,988
Commitments – principal repayments				
Deferred consideration	500,000	-	-	500,000
Total contractual obligations	\$ 1,289,768	\$ -	\$ -	\$ 1,289,768

Non-Financial Measures

Critical Accounting Estimates

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

Changes in Accounting Policies including Initial Adoption

Recent IFRS standards adopted in 2020

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

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

Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied for the audited financial statements of Banxa Holdings Inc (formerly A-Labs Capital I Corp) and BTC Corporation Holdings Pty Ltd for the years ending 31 December 2020 and 30 June 2020 respectively. These policies have been consistently applied to all the periods presented, unless otherwise stated. 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 A-Labs Capital I Corp.

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Controls and Procedures

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

Internal Controls over Financial Reporting

The Company's internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management is responsible for establishing and maintaining adequate ICFR for the Company. Management, including the CEO and CFO, does not expect that the Company's ICFR will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and even those systems determined to be effective can provide only reasonable, but not absolute, assurance that the control objectives will be met with respect to financial statement preparation and presentation. The Company's management under the supervision of the CEO and CFO has evaluated the design of the Company's ICFR based on the Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. As at 31 March 2021, management assessed the design of the Company's ICFR and concluded that such ICFR is appropriately designed, and that there are no material weaknesses in the Company's ICFR that have been identified by management. There have been no changes in the Company's internal control over financial reporting during the period that have materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

Events after the reporting period

In April 2021 the Company completed a private placement offering for the issuance of 3,749,552 units, at a price of \$C 4.00 per unit, for gross proceeds of \$C 14,998,208. Cash and liquid deposits at 31 March 2021 were \$A 17m, which includes partial receipt of the placement funds of \$A4.4. Net of costs, additional cash of approximately \$9.6m was received by the Company in early April 2021.

Each unit is comprised of one common share of the Company and one-half share purchase warrant, with each whole warrant entitling the holder to subscribe for one additional share of common stock at a price of \$C 8.50 per share for a period of 42 months from the date of issuance.

Certain advisory costs were paid in equity as follows:

- the issue of an additional 121,866 common shares; and
- the issue of an additional 202,787 share purchase warrants exercisable at \$C8.50 per share for a period of 42 months from the date of issuance.