

**CURRENCY EXCHANGE INTERNATIONAL, CORP.**

**MANAGEMENT'S DISCUSSION AND  
ANALYSIS**

**FOR THE THREE MONTH PERIODS  
ENDED JANUARY 31, 2018 AND  
2017**



***CURRENCY EXCHANGE  
INTERNATIONAL***

Management Discussion and Analysis  
(All amounts expressed in U.S. Dollars unless otherwise noted)  
For the three months and year ended January 31, 2018 and 2017

### *Scope of Analysis*

This Management Discussion and Analysis (“**MD&A**”) covers the results of operations, and financial condition of Currency Exchange International, Corp. and its subsidiary (the “**Company**,” or “**CXI**”) for the three month periods ended January 31, 2018 and 2017, including the notes thereto. This document is intended to assist the reader in better understanding and assessing operations and the financial results of the Company.

This MD&A has been prepared as at March 14, 2018 in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”) and interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”) and should be read in conjunction with the condensed interim consolidated financial statements of the Company for the three month periods ended January 31, 2018 and 2017 and the notes thereto. A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's audited consolidated financial statements for the year ended October 31, 2017. The functional currency of the Company is the U.S. Dollar. The functional currency of the Company's Canadian subsidiary, Exchange Bank of Canada (“**EBC**”), is the Canadian Dollar. The Company's presentation currency is the U.S. Dollar. Unless otherwise noted, all references to currency in this MD&A refer to U.S. Dollars. The consolidated financial statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

In this document, “our”, “Company” and “CXI” refer to Currency Exchange International, Corp. collectively with its subsidiary, EBC.

### *Additional Information*

Additional information relating to the Company, including annual financial statements, is available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ceifx.com](http://www.ceifx.com) (“**CEIFX**”).

*Forward Looking Statements*

This MD&A contains certain “forward-looking information” as defined in applicable securities laws. These statements relate to future events or the Company’s future performance. All statements other than statements of historical fact are forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “budgeted”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. The forward-looking information in this MD&A speaks only as of the date of this MD&A or as of the date specified in such statements. The following table outlines certain significant forward-looking information contained in this MD&A and provides the material assumptions used to develop such forward-looking information and material risk factors that could cause actual results to differ materially from the forward-looking information.

Forward-looking information	Assumptions	Risk factors
Sensitivity analyses relating to foreign currencies and interest rates	All factors other than the variable in question remain unchanged; CXI’s entire unhedged balance of foreign currency holdings is affected uniformly by changes in exchange rates; CXI’s interest-bearing instruments and obligations were constant during the period	Exchange rate and interest rate fluctuations

Inherent in forward-looking information are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section in the Company’s MD&A for the year ended October 31, 2017. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking information in this MD&A, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking information contained in this MD&A.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking information. All forward-looking information herein is qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information, whether as a result of new information or future events or otherwise, except as may be required by applicable securities laws. If the Company does update any forward-looking information, no inference should be drawn that it will make additional updates with respect to that or other forward-looking information, unless required by applicable securities laws.

### *Overview*

CXI is a publicly traded company (TSX:CXI;OTCBB:CURN) specializing in providing currency exchange and related products to financial institutions, money service businesses, travel companies, and commercial clients through its company owned branches and vaults, and inventory on consignment locations, throughout the United States and Canada, by utilizing the Company's proprietary online software system, CEIFX. The Company has developed CEIFX, its proprietary customizable web-based software, as an integral part of its business and believes that it represents an important competitive advantage. CEIFX is also an on-line compliance and risk management tool. The trade secrets associated with CEIFX are protected via copyright, restricted access to both the software and its source code, and secure maintenance of source code by the head office. CEIFX is updated regularly and on-going system development and enhancement is a core activity of the Company.

### *Issuance of banking license*

On November 23, 2012, the Company submitted its application to continue its wholly-owned Canadian subsidiary, Currency Exchange International of Canada Corp ("**CXIC**"), as a new Canadian Schedule I bank. In September of 2016, the Office of the Superintendent of Financial Institutions ("**OSFI**") and the Minister of Finance issued letters patent for the bank and CXIC is now Exchange Bank of Canada ("**EBC**"). The head office of EBC is located in Toronto, Ontario, Canada.

The objective of EBC is to continue to expand current and future business opportunities and become a leading banker's bank for foreign exchange products and services. Obtaining a Canadian bank charter benefits the Canadian banking system by providing a domestic alternative for foreign exchange services to financial institutions and commercial entities in Canada. The foreign currency bank note market for financial institutions in Canada is primarily serviced by foreign financial institutions. A Canadian bank charter affords the Company numerous advantages including the opportunity to bank with Central Banks, thereby obtaining a source of stable, cost-effective funds, as well as collateral reductions with correspondent banks, and enhancing existing financial institution relationships.

The Company is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario.

The Company has the following sources of revenues which are reported as commissions and fees:

- Commission revenue is comprised of the spread between the cost and selling price of foreign currency products, including bank notes, wire transmissions, cheque collections and draft issuances and the revaluation of foreign exchange positions to market value, combined with the net gain or loss from foreign currency forward contracts used to offset the revaluation of inventory positions and commissions paid to bank and non-bank financial institutions on the sale and purchase of currency products. The amount of this spread is based on competitive conditions and the convenience and value added services offered; and
- Fee revenue is comprised of the following:
  - Fees generated at the Company's branch locations and certain inventory on consignment locations from foreign currency (bank note) exchange, foreign traveler's cheques, and fees collected on payroll cheque cashing; and
  - Fees collected on foreign wire transfers, foreign drafts, and foreign cheque collection transactions.

The following are some of the characteristics of the Company's revenue streams:

*Overview (continued)*

- The Company operates three vaults that serve Canada and the United States as well as two small vaults that serve local markets on the West Coast and Northeast Regions of the United States and serve as distribution centers for its branch network as well as order fulfillment centers for its clients including financial institutions, money service businesses, and other corporate clients. Revenues generated from vaults have greater scale as the Company maintains a sales force to increase its geographic customer base. Exchange rate margins vary from customer to customer and are dependent on criteria such as exchange volumes and customer setup. On-boarding of new clients, specifically banking clients, normally requires an upfront investment, such as training, and currency signage, as well as additional one-time shipping costs to distribute start-up materials. The Company also normally absorbs information technology costs to customize the CEIFX software for specific client use during the customer implementation phase. There are two common customer setups:
  - Centralized setup - For customers with a high volume of foreign currency exchange who maintain and manage their own inventory in central vault facilities, the Company offers bulk wholesale bank note trading. Trades of this nature are generally executed at lower margins as the cost per transaction is low and the average value is high. The customer implementation phase is normally shorter and the costs of on-boarding clients is low;
  - Decentralized setup - Many customers have determined that it is advantageous to avoid a currency inventory and allow their locations to buy and sell directly from CXI. Transactions in a decentralized setup typically are executed at a higher margin as the average transaction is low and the cost to fulfill each trade is higher than that of a centralized setup. Several of the Company's financial institutions outsource their currency needs in return for a commission based upon exchange volume. When a client outsources their currency needs, the Company is granted access to the entire branch network thus immediately increasing its geographic footprint and expanding its customer base. The customer implementation phase is normally longer in a decentralized setup and the cost of client on-boarding is higher as these clients normally require additional training and support;
- The Company operates 41 branch locations which are located in high tourist traffic areas, staffed by CXI employees, and located across the United States. These locations hold domestic and foreign currencies to buy and sell on demand. The currency exchange margins associated with the transactions occurring at these locations are generally higher in order to recapture costs of deployed capital in the form of domestic and foreign currencies, rent, payroll, and other general and administrative costs;
- CXI and EBC currently maintain inventory in the form of domestic and foreign bank notes in financial institutions and other high traffic locations. These locations can be very profitable as there are no occupancy costs or payroll. Foreign exchange currency is placed in these locations on a consignment basis. At January 31, 2018, the Company had inventory on consignment in 673 locations, primarily located inside financial institutions across the United States and Canada. To encourage inventory turnover, the Company pays commissions as a percentage on volumes generated by these locations; and
- Company owned branch locations generally act as a net buyer of foreign currency whereas CXI is generally a net seller to its bank and non-bank clients. Excess currency collected via the branch network can be redeployed to financial institutions and non-bank clients which reduces the need to source currency through wholesale sources at a greater cost, thus increasing currency margins.

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*Overview (continued)*

The Company has aggressively grown its branch network as well as the number of wholesale relationships over the years. Below is a summary of the Company's wholesale company relationships and transacting locations as well as a listing of its 41 branch locations:

Store	City	State	Start date	Store	City	State	Start date
Apple Bank - Avenue of Americas	New York	NY	2011	Mechanics Bank - Berkeley	Berkeley	CA	2007
Apple Bank - Grand Central Station	New York	NY	2011	Mechanics Bank - San Francisco	San Francisco	CA	2008
Apple Bank - Penn Station	New York	NY	2013	Mission Valley	San Diego	CA	2015
MacArthur Mall	Norfolk	VA	2009	Montgomery at Bethesda	Bethesda	MD	2013
Apple Bank - Union Square	New York	NY	2014	North County	Escondido	CA	2017
Arundel Mills Mall	Hanover	MD	2012	Ontario Mills Mall	Ontario	CA	2007
Aventura Mall Booth #1	Aventura	FL	2008	Potomac Mills Mall	Woodbridge	VA	2007
Aventura Mall Booth #2	Aventura	FL	2012	Queens Center	New York	NY	2017
Century City Mall	Los Angeles	CA	2009	San Francisco City Center	San Francisco	CA	2011
Cherry Creek	Denver	CO	2014	San Jose Great Mall	San Jose	CA	2011
Citadel Outlets	Los Angeles	CA	2014	Santa Monica Place	Santa Monica	CA	2012
Copley Place Mall	Boston	MA	2009	Sawgrass Mills Mall Booth #1	Sunrise	FL	2007
Dadeland Mall	Miami	FL	2009	Sawgrass Mills Mall Booth #2	Sunrise	FL	2010
Dolphin Mall	Miami	FL	2009	Shops at Northbridge	Chicago	IL	2013
Florida Mall Booth #1	Orlando	FL	2007	SouthCenter	Tukwila	WA	2012
Florida Mall Booth #2	Orlando	FL	2014	Sunvalley Shopping Center	Concord	CA	2015
Apple Bank - Upper East Side	New York	NY	2014	The Galleria at Fort Lauderdale	Ft. Lauderdale	FL	2013
Garden State	Paramus	NJ	2015	The Orlando Eye	Orlando	FL	2015
Glendale Galleria	Glendale	CA	2016	Tyson's Corner Center	Tyson's Corner	VA	2014
International Market Place	Honolulu	HI	2016	Washington Square Mall	Portland	OR	2017
Mainplace at Santa Ana	Santa Ana	CA	2013				

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Q1 2018
Company owned branch locations	14	15	18	23	26	32	36	38	41	41
Wholesale company relationships	61	70	123	245	364	469	521	928	977	996
Number of transacting locations	190	267	1,983	2,455	5,741	8,274	10,157	13,603	15,026	15,054

The Company's largest asset is cash. The cash position consists of local currency notes, both in U.S. and Canadian Dollars, held in inventory at its branch and consignment locations to facilitate the buying and selling of foreign currency, as well as foreign currency held at the Company's vaults, branch locations, consignment locations, or cash inventory in transit between Company locations. The Company also has traditional bank deposits which act as reserves to maintain operations and as settlement accounts to facilitate currency transactions at various financial institutions.

Accounts receivable consist primarily of bulk wholesale transactions where the Company is awaiting payment. The credit risk associated with accounts receivable is limited, as the Company's receivables consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. There is minimal counterparty risk as the majority of the Company's receivables reside with financial institutions and money service business customers. The company has longstanding relationships with most of its customers and has a strong repayment history.

Accounts payable consist mainly of foreign currency transactions and commissions payable at period end where the Company receives currency from a customer and then remits payment at a later date.

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**SELECTED FINANCIAL DATA**

The below chart summarizes the performance of the Company over the last eight fiscal quarters.

Three-months ending	Revenue \$	Net operating income \$	Net income (loss) \$	Total assets \$	Total equity \$	Earnings (loss) per share (diluted) \$
1/31/2018	8,402,855	1,764,296	316,148	79,794,495	57,809,076	0.05
10/31/2017	9,355,315	2,609,517	1,337,947	63,968,227	56,492,618	0.21
7/31/2017	9,862,335	3,597,678	1,944,247	71,348,901	55,545,083	0.39
4/30/2017	7,172,429	1,424,291	625,052	66,875,712	52,111,070	0.09
1/31/2017	6,087,142	290,024	(85,776)	60,399,965	51,438,703	(0.01)
10/31/2016*	7,692,144	2,219,101	1,379,937	62,196,008	50,752,352	0.22
7/31/2016*	7,708,332	2,603,843	1,484,257	71,027,239	49,568,941	0.24
4/30/2016*	5,854,925	1,160,181	479,540	57,181,863	48,527,966	0.08

\* Restatement made in Fiscal Year 2015 to correct the presentation of a gain on foreign exchange along with its corresponding income tax impact which was required to be presented under IFRS as other income. The foreign exchange gain was previously disclosed under comprehensive income with no corresponding tax provision. The restatement does not impact the Company's revenues, operating expenses, or net operating income.

Seasonality is reflected in the timing of when foreign currencies are in greater or lower demand. In a normal operating year there is seasonality to the Company's operations with higher revenues generally from March until September and lower revenues from October to February. This coincides with peak tourism seasons in North America when there are generally more travelers entering and leaving the United States and Canada.

*Selected Financial Results for the three month periods ended January 31, 2018 and 2017*

	Three months ended January 31, 2018 \$	Three months ended January 31, 2017 \$
Revenue	8,402,855	6,087,142
Operating expenses	6,638,559	5,797,118
Net Operating income	1,764,296	290,024
Total other income/(expense), net	2,936	4,490
EBITDA*	1,767,232	294,514
Net income	316,148	(85,776)
Basic earnings per share	0.05	(0.01)
Diluted earnings per share	0.05	(0.01)

\* Earnings before interest, taxes, depreciation and amortization

	January 31, 2018	October 31, 2017
Total assets	79,794,495	63,968,227
Total long term financial liabilities	-	-
Total equity	57,809,076	56,492,618

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*Results of operations – year ended January 31, 2018 and 2017*

A breakdown of revenues by geographic location is presented below:

	Total revenues	
	Three months ended January 31, 2018	Three months ended January 31, 2017
	\$	\$
United States	7,352,932	5,419,452
Canada	1,049,923	667,690
<b>Total</b>	<b>8,402,855</b>	<b>6,087,142</b>

During the three month period ended January 31, 2018, total commission and fee revenues increased by 38% to \$8,402,855 compared to \$6,087,142 for the three month period ended January 31, 2017. Since January 31, 2017, the Company has added 63 new wholesale relationships comprising 1,408 locations, of which 24 wholesale relationships representing 1,368 transacting locations were added in the United States and 39 wholesale relationships representing 40 transacting locations were added in Canada. During the three month period ended January 31, 2018, the number of transactions between the Company and its customers increased 14% to 210,000 transactions from 185,000 for the same period in the previous year.

During the three month period ended January 31, 2018, operating expenses increased 15% to \$6,638,559 compared to \$5,797,118 for the three month period ended January 31, 2017, the major components of which are presented below:

	Three months ended January 31, 2018	Three months ended January 31, 2017	Change	Change
	\$	\$	\$	%
Salaries and benefits	3,715,407	3,040,586	674,821	22%
Rent	847,520	673,025	174,495	26%
Legal, professional and director's fees	666,413	415,295	251,118	60%
Postage and shipping	747,029	623,076	123,953	20%
Stock based compensation	196,328	192,349	3,979	2%
Executive replacement costs	18,542	165,803	(147,261)	-89%
Software Maintenance	132,037	107,499	24,538	23%
Insurance	96,581	83,191	13,390	16%
Other general and administrative	218,704	496,294	(277,590)	-56%
Total operating expenses	6,638,559	5,797,118	841,441	15%

- Salaries and benefits increased 22% to \$3,715,407 from \$3,040,586 which is attributed to increases in the Company's employment base for the period. The increase in staffing is a result of the hiring of employees engaged in the areas of compliance, information technology, payments, operations, vault operations and sales as well as adding 3 company owned branch locations;
- Rent increased 26% to \$847,520 from \$673,025. The Company has opened 3 new branch locations as well as expanded the Toronto and Orlando vault locations since January 31, 2017;
- Legal, professional and directors' fees increased to \$666,413 from \$415,295. The increase is related primarily to legal and accounting fees incurred in support of operational and strategic initiatives of the Company;

*Results of operations – three month period ended January 31, 2018 and 2017 (continued)*

- Postage and shipping increased 20% to \$747,029 from \$623,076 and is due to an increase in the frequency of inbound and outbound shipments. The Company incurs shipping fees from couriers and armored carriers to transport currency between the Company's stores and customers. The Company added 63 new customers representing 1,408 new transacting locations since January 31, 2017 which has led to a 14% increase in transactional activity thus increasing shipping costs. Additionally, the Company has increased the frequency of inbound and outbound armored shipments due to an increase in high value, bulk shipments to centralized clients. Shipping fees collected by the Company are netted against shipping charges charged to the Company. These costs have declined from 10.2% of revenue in 2017 to 8.9% in 2018;
- Stock based compensation decreased 2% to \$196,328 from \$192,349 for the vested portion of stock options granted pursuant to the Company's stock option plan. The options have an expiry date of 5 years from the date of the grant, unless otherwise stated by the Board of Directors, and have a weighted average exercise price of Cdn\$22.31. There were 442,223 options outstanding at January 31, 2018 compared to 506,592 options outstanding at January 31, 2017;
- Executive replacement costs decreased to \$18,542 from \$165,803 with the higher expense in 2017 due to the replacement of two senior executives in the company;
- Software maintenance expense has increased 23% to \$132,037 from \$107,499 due to expanded usage of software applications purchased to support Sales, Operations, Payments, IT, and Finance functions in the Company; and
- Other general and administrative expenses decreased 56% to \$218,704 from \$496,294. Other expenses are comprised of travel and lodging, utilities, bank service charges, foreign exchange gains and losses through profit and loss, and other general and administrative expenses.

The ratio of operating expenses to total revenue for three month period ended January 31, 2018 was 79% compared to 95% for the three month period ended January 31, 2017. The ratio traditionally is higher during the winter months and decreases as the fiscal year progresses. This is due to the cyclical nature of the business as the Company has higher exchange volumes from March to September and the Company is able to redeploy the currency it purchases in the summer months from its branch locations and resell it to other financial institutions and non-financial institution customers, thus bypassing currency wholesalers and widening its gross margins. The Company expects this ratio to remain consistent with the seasonality of the business in the short term. Over time, the Company will endeavor to increase its operating efficiency by the addition of new bank and non-bank financial institutions in Canada and the United States to redeploy currency purchased by its branches, affiliate partners, and other clientele.

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*Results of operations – three month period ended January 31, 2018 and, 2017 (continued)*

Other income and expenses are comprised of the following:

	Three months ended January 31, 2018 \$	Three months ended January 31, 2017 \$
Other income (expense)	2,936	4,490
Interest and accretion expense	(64,819)	(44,169)
Depreciation and amortization	(335,857)	(314,372)
Income tax expense	(1,050,409)	(21,749)
Total other expense	(1,448,149)	(375,800)

- Other income decreased to \$2,936 from \$4,490 and relates to interest collected for surplus cash deposits held at various financial institutions in Canada and the United States;
- Interest and accretion expense increased to \$64,819 from \$44,169 and relates to interest payments on credit lines;
- Depreciation and amortization increased to \$335,857 from \$314,372 and relates to amortization of the Company's intangible assets and depreciation of fixed assets over their estimated economic life; and

Income tax expense increased to \$1,050,409 from \$21,749 and is a total of federal income tax as well as various state and provincial taxes for the jurisdictions in which the Company operates. The increase is attributable to three factors. The first is increased profitability in 2018 compared to 2017, which increases income tax expense by \$640,660. The other two factors are one-time adjustments related to the Tax Cuts and Jobs Act of 2017. On December 22, 2017, the President of the United States signed tax reform legislation, which includes a broad range of tax reform proposals affecting businesses, including corporate tax rates, business deductions, and international tax provisions. Many of these provisions significantly differ from previous US tax law, resulting in pervasive financial reporting implications. The January 2018 income tax expense includes a one-time increase in deferred tax expense of \$308,000 which arises from a reduction in deferred tax assets of an identical amount. The deferred tax asset was generated on the basis of the former higher tax rate and will be liquidated over time at the lower rate now in effect. This change represents an estimated reduction in the statutory tax rate in the United States from 38.5% to 26.7%. The second factor caused by tax changes in the United States is a one-time expense related to a "repatriation" tax on earnings generated outside of the United States since 2011; this expense is \$80,000 related to retained earnings in EBC and its predecessor company CXIC. Without these one-time adjustments the effective tax rate for the three month period ending January 31, 2018 is 34.6% compared to 23.0% for the three month period ended January 31, 2017. For the remainder of 2018 the Company's combined income tax rate will be 26.7% in the United States and 26.5% in Canada.

*Cash flows*

Cash flows from operating activities during the three month period ended January 31, 2018 resulted in an inflow of \$13,086,784 compared to an outflow of \$2,403,108 during the three month period ended January 31, 2017. The principal reason for the increase in operating cash flow a large increase in accounts payable, related to a normal-course payable in the amount of \$12.9 million held at month-end on behalf of a customer for a cheque submitted for collection; the amount was remitted to the customer subsequent to the month-end. The actual amount of accounts receivable and accounts payable fluctuate from period to period due to the volume of activity and timing differences. In most instances accounts

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*Cash flows (continued)*

receivable and accounts payable have a settlement cycle of 24 to 48 hours. Operating cash flow is generated by commission and fee income, and is offset by operating expenses.

Cash used in investing activities during the three month period ended January 31, 2018 resulted in an outflow of \$119,591 compared to an outflow of \$146,494 during the three month period ended January 31, 2017. This represents additions to property and equipment and to the internally developed software, CEIFX.

Cash provided by financing activities during the three month period ended January 31, 2018 was \$299,488 compared to cash used for financing of \$(1,547,333) during the three month period ended January 31, 2017. The Company was accessing its line of credit on January 31, 2018, compared to a balance of nil on January 31, 2017.

*Liquidity and capital resources*

At January 31, 2018, the Company had working capital of \$54,671,883 (October 31, 2017 - \$52,778,077).

The Company maintains a revolving line of credit with BMO Harris Bank, N.A. which was increased in March of 2017 to \$15,000,000 to assist with its short-term cash flow needs. At January 31, 2018, the balance outstanding was \$Nil (October 31, 2017 - \$Nil). The line of credit bears interest at Libor plus 2.0%

In April of 2017, the Company's wholly-owned Canadian subsidiary, EBC established a revolving line of credit with Bank of Montreal with available credit of Cdn\$3,000,000 (\$2,440,413) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus .5% [at January 31, 2018 - 3.95% (2017 - 3.20%)]. At January 31, 2018, the balance outstanding was \$308,074.

The Company had a total available balance of unused lines of credit of \$17,132,339 at January 31, 2018 (October 31, 2017 - \$17,326,844).

*Selected annual financial information*

The following tables set out selected consolidated financial information of the Company for the periods indicated. Each investor should read the following information in conjunction with those financial statements for the relevant period and notes related thereto. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the consolidated financial statements of the Company.

	Year ended October 31, 2017 \$	Year ended October 31, 2016 \$	Year ended October 31, 2015 \$	Year ended October 31, 2014 \$
Revenues	32,477,220	26,827,456	24,075,775	22,005,953
Net operating income	7,921,509	6,877,489	7,137,444	7,189,769
Net income	3,821,469	3,642,111	4,665,985	4,249,225
Basic earnings per share	\$0.62	0.59	0.80	0.78
Diluted earnings per share	\$0.61	0.58	0.77	0.77
Total assets	63,968,227	62,196,008	52,112,593	39,709,302
Total liabilities	7,475,609	11,443,657	5,352,490	6,982,895
Total non-current financial liabilities	-	-	-	585,144
Working capital	52,778,077	47,016,377	42,674,895	28,935,018

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*Commitments and contingencies*

On October 1, 2011, the Company entered into an employment agreement with the President and CEO of the Company. Such agreement contains clauses requiring additional payments of a minimum of \$450,000 to be made upon the occurrence of certain events such as a change of control of the Company or termination for reasons other than cause. As the likelihood of a change of control of the Company is not determinable, the contingent payments have not been reflected in the consolidated financial statements.

*Off-balance sheet arrangements*

There are currently no off-balance sheet arrangements which could have an effect on current or future results or operations, or on the financial condition of the Company.

*Hedging activity*

Other than as noted below, the Company does not engage in any form of hedged, derivative or leveraged trading. The Company does not extend credit to any of its customers, other than through industry standard settlement terms.

The Company enters into non-deliverable foreign currency forward contracts on a daily basis to mitigate the risk of fluctuations in the exchange rates of its holdings of major currencies. Changes in the fair value of the contracts and the corresponding gains or losses are recorded daily and are included in commissions from trading on the consolidated statements of income and comprehensive income. The Company's management strategy is to reduce the risk of fluctuations associated with foreign exchange rate changes. The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated.

The fair value of forward contracts, which represents the amount that would be (paid)/received by the Company if the forward contracts were terminated at January 31, 2018 was (\$462,474) (October 31, 2017 - \$17,858).

At January 31, 2018 and October 31, 2017 approximately \$2,257,985 and \$1,972,168, respectively, were being held as collateral on these contracts and are reflected as restricted cash held in escrow in the consolidated statements of financial position.

*Transactions with related parties*

The remuneration of directors and key management personnel during the three months ended January 31, 2018 and 2017 were as follows:

	Three months ended	
	January 31, 2018	January 31, 2017
	\$	\$
Short-term benefits	658,767	564,255
Post-employment benefits	20,750	46,353
Stock based compensation	190,908	184,765
	<u>870,425</u>	<u>795,373</u>

The Company incurred legal and professional fees charged by entities controlled by directors or officers of the Company in the aggregate of \$19,477 for the three month period ended January 31, 2018 (2017 - \$38,760).

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*Transactions with related parties (continued)*

Advances between CXI and EBC are provided under a Revolving Line of Credit, renewed May 31, 2017; loans attract interest at LIBOR + 2%, are repayable on demand, and are unsecured. At January 31, 2018, the intercompany loan balance was \$7,228,974 (October 31, 2017 - \$1,100,000) and was eliminated upon consolidation.

*Option grants*

The Company adopted an incentive stock option plan dated April 28, 2011 (the "**Plan**"). The Plan is a rolling stock option plan, under which 10% of the outstanding shares at any given time are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Company by facilitating the efforts of the Company to attract and retain directors, senior officers, employees and management. Vesting under the Plan will occur 1/3 upon the first anniversary, 1/3 upon the second anniversary and 1/3 upon the third anniversary of the grant unless otherwise specified by the Board of Directors.

Below is information related to each option grant:

Date of Grant	Expiry Date	Share price at grant date (Cdn\$)	Amount granted	Risk-free interest rate	Expected volatility	Exercise Price (Cdn\$)	Fair value of option at grant date (\$)
29-Oct-13	29-Oct-18	10.86	35,640	1.29%	35%	10.86	3.44
29-Oct-13	29-Oct-18	10.86	114,420	1.29%	35%	10.86	3.44
30-Oct-14	30-Oct-19	18.00	87,215	1.61%	27%	16.21*	4.97
30-Oct-14	30-Oct-19	18.00	24,144	1.61%	27%	16.21*	4.97
11-Mar-15	11-Mar-20	28.40	2,726	1.62%	25%	28.15*	5.75
30-Oct-15	30-Oct-20	23.50	28,972	1.47%	32%	24.64*	5.10
30-Oct-15	30-Oct-20	23.50	89,435	1.47%	32%	24.64*	5.10
16-Jan-16	16-Jan-21	17.89	17,600	1.46%	33%	17.79*	3.86
11-Mar-16	11-Mar-21	21.30	4,182	1.45%	34%	22.78*	4.78
26-Oct-16	25-Oct-21	32.96	22,757	1.30%	34%	30.75*	8.46
26-Oct-16	25-Oct-21	32.96	66,820	1.30%	34%	30.75*	8.46
6-Jun-17	6-Jun-22	20.79	9,865	1.71%	37%	21.53*	5.27
26-Oct-17	26-Oct-22	26.84	25,039	2.07%	36%	25.52*	7.69
26-Oct-17	26-Oct-22	26.84	76,981	2.07%	36%	25.52*	7.69

\*Exercise price determined by average share price for previous 20 trading days

The outstanding options at January 31, 2018 and the respective changes during the periods are summarized as follows:

	Number of options #	Weighted average price Cdn\$
<b>Outstanding at October 31, 2016</b>	521,592	18.50
Granted	111,885	25.17
Exercised	(128,613)	9.99
Cancelled through cashless exercise	(22,572)	17.28
Forfeited	(40,069)	25.54
<b>Outstanding at October 31, 2017</b>	442,223	22.31
<b>Outstanding at January 31, 2018</b>	442,223	22.31

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*Option grants (continued)*

The following options are outstanding and exercisable at January 31, 2018:

<b>Grant Date</b>	<b>Exercise price (Cdn\$)</b>	<b>Number outstanding</b>	<b>Average remaining contractual life (years)</b>	<b>Number exercisable</b>
29-Oct-13	10.86	17,820	0.74	17,820
29-Oct-13	10.86	40,013	0.74	40,013
30-Oct-14	16.21	59,365	1.75	59,365
30-Oct-14	16.21	20,120	1.75	20,120
11-Mar-15	28.15	2,726	2.11	1,817
30-Oct-15	24.64	28,972	2.75	28,972
30-Oct-15	24.64	70,657	2.75	47,106
16-Jan-16	17.79	11,733	2.96	5,866
11-Mar-16	22.78	4,182	3.11	1,394
26-Oct-16	30.75	19,506	3.73	19,506
26-Oct-16	30.75	55,244	3.73	18,415
6-Jun-17	21.53	9,865	4.35	-
26-Oct-17	25.52	25,039	4.74	6,260
26-Oct-17	25.52	76,981	4.74	-
<b>Total</b>		<b>442,223</b>		<b>266,654</b>

*Subsequent events*

The Company evaluated subsequent events through March 14, 2018, the date these condensed interim consolidated financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in the financial statements.

*Accounting standards and policies*

The Company's accounting policies are described in Note 2 to the Company's audited consolidated financial statements for the years ended October 31, 2017 and 2016.

*Financial Risk factors*

*Credit Risk*

Credit risk is the risk of financial loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash in bank accounts, accounts receivable and forward contracts from hedging counterparties.

All banking relationships are negotiated by senior management. The Company maintains accounts in high quality financial institutions. At various times, the Company's bank balances exceed insured limits.

The credit risk associated with accounts receivable is limited, as the Company's receivables consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. There is minimal counterparty risk as the majority of the Company's receivables reside with financial institutions and money service business customers. The company has longstanding relationships with most of its money service business

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*Credit Risk (continued)*

customers and has a strong repayment history. For the purpose of risk control, the customers are grouped as follows: domestic and international financial institutions, money service businesses, and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance. These limits are reviewed regularly by senior management. Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods.

A breakdown of accounts receivable by category is below:

<b>Customer type</b>	<b>At January 31, 2018</b>	<b>At October 31, 2017</b>
	<b>\$</b>	<b>\$</b>
Domestic and international financial institutions	2,170,439	2,670,795
Money service businesses	6,323,295	6,496,993
Other	91,133	210,678
<b>Total</b>	<u>8,584,867</u>	<u>9,378,466</u>

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position. There are no commitments that could increase this exposure to more than the carrying amount.

*Foreign Currency Risk*

The volatility of the Company's foreign currency holdings may increase as a result of the political and financial environment of the corresponding issuing country. Several currencies have limited exchange rate exposure as they are pegged to the U.S. Dollar, the reporting currency of the Company. Management believes its exposure to foreign currency fluctuations is mitigated by the short-term nature and rapid turnover of its foreign currency inventory, as well as the use in certain instances of forward contracts to offset these fluctuations. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are too cost prohibitive to hedge. In order to mitigate the risks associated with holding these foreign currencies, the Company assigns wider bid/ask spreads and maintains specific inventory targets to minimize the impact of exchange rate fluctuations. These targets are reviewed regularly and are increased or decreased to accommodate demand within acceptable risk tolerances. The amount of unhedged inventory held in tills, vaults and in transit at January 31, 2018 was approximately \$9,780,000 (October 31, 2017 - \$7,930,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately \$7,910,000 (October 31, 2017 - \$5,320,000). A 2% increase/reduction in the market price for the aggregate of the Company's unhedged/un-pegged foreign currencies would result in an exchange gain/loss of approximately +\$160,000/-\$160,000 (October 31, 2017 gain/loss of approximately +\$106,000/-\$106,000).

On a consolidated basis, the Company is also exposed to foreign currency fluctuations between the U.S. Dollar and the Canadian Dollar, being the functional currency of its Canadian subsidiary. The Company does not hedge its net investment in its Canadian subsidiary and the related foreign currency translation of its earnings.

*Interest Rate Risk*

At January 31, 2018, the Company had access to interest bearing financial instruments in cash, short term accounts payable and its line of credit. A significant amount of the Company's cash is held as foreign currency bank notes in tills and vaults. These amounts are not subject to interest rate risk. Cash held in some of the Company's accounts are interest bearing; however, since prevailing interest rates are low there is minimal

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*Interest Rate Risk (continued)*

interest rate risk. Borrowings bear interest at variable rates. Cash and borrowings issued at variable rates expose the Company to cash flow interest rate risk. For the interest rate profile of the Company's interest bearing financial liabilities, refer to Note 12 of the consolidated financial statements.

The Company manages interest rate risk in order to reduce the volatility of the financial results as a consequence of interest rate movements. For the decision whether new borrowings shall be arranged at a variable or fixed interest rate, senior management focuses on an internal long-term benchmark interest rate and considers the amount of cash currently held at a variable interest rate. Currently the interest rate exposure is un-hedged.

If interest rates had been 50 basis points higher/lower with all other variables held constant, after tax profit for the three month period ended January 31, 2018 would have been approximately +\$3,200/-3,200 higher/lower as a result of credit lines held at variable interest rates.

*Liquidity Risk*

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The CFO informs the Chief Executive Officer, the Board of Directors, and the Audit Committee of capital and liquidity issues as they occur in accordance with established policies and guidelines. The Company targets to have a cash reserve or credit lines greater than 15% of the Company's prior year's revenues.

The following are non-derivative contractual financial liabilities:

Non-derivative financial liabilities	At January 31, 2018		This fiscal year	Future fiscal years
	Carrying amount	Estimated contractual amount		
	\$	\$	\$	\$
Accounts payable	18,508,220	18,508,220	18,508,220	\$Nil
Accrued expenses	1,613,024	1,384,026	1,384,026	\$Nil
Income taxes payable	1,093,627	1,093,627	1,093,627	\$Nil
Forward Contract Liabilities	462,474	462,474	462,474	\$Nil
Line of credit	308,074	308,074	308,074	\$Nil

  

Non-derivative financial liabilities	At October 31, 2017		Next fiscal year	Future fiscal years
	Carrying amount	Estimated contractual amount		
	\$	\$	\$	\$
Accounts payable	4,939,749	4,939,749	4,939,749	\$Nil
Accrued expenses	2,115,943	1,885,351	1,885,351	\$Nil
Income taxes payable	419,917	419,917	419,917	\$Nil

*Capital Management*

The Company manages capital through its financial and operational forecasting processes. The Company defines working capital as total current assets less current liabilities. The Company reviews its working capital and forecasts its cash flows based on operating expenditures, and other investing and financing activities related to its daily operations.

	At January 31, 2018	At October 31, 2017
Current assets	76,657,302	60,253,686
Current liabilities	(21,985,419)	(7,475,609)
Working capital	<u>54,671,883</u>	<u>52,778,077</u>

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*Capital Management (continued)*

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, obtaining loan financing, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.