Currency Exchange International, Corp.

Management's Discussion and Analysis

For the Three and Nine-Month Periods Ended July 31, 2023 and 2022

(All amounts are expressed in U.S. Dollars unless otherwise noted)

Scope of Analysis

This Management Discussion and Analysis (MD&A) covers the results of operations and the financial condition of Currency Exchange International, Corp. (CXI or the Company) and its subsidiaries for the three and nine-month periods ended July 31, 2023 and 2022, 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 was prepared as at September 13, 2023 and should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and nine-month periods ended July 31, 2023 and 2022, 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, 2022. The functional currency of the Company and its wholly owned subsidiary eZforex.com, Inc. (eZforex) is the U.S. Dollar. The functional currency of the Company's wholly owned Canadian subsidiary, Exchange Bank of Canada (EBC or the Bank), 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 condensed interim 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 "Company," and "CXI" refer to Currency Exchange International, Corp. collectively with its wholly owned subsidiaries, eZforex and EBC.

Additional Information

Additional information relating to the Company, including annual financial statements, and the Company's annual information form, is available on the Company's SEDAR profile at www.sedar.com and on the Company's website at www.cxifx.com.

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", variations 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 is based on the date of this MD&A or based on the date(s) 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	Fluctuations of exchange rates and interest rates

Inherent in the forward-looking information are risks, uncertainties, and other factors beyond the Company's ability to predict or control. Please refer to the Risk Factors section beginning on page 21. Readers are cautioned that the above table does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking information in this MD&A, and 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 the 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, 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

The Company is a publicly traded company (TSX: CXI; OTCBB: CURN) with its head office in Orlando, Florida, and is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario. It specializes in providing currency exchange and related products to financial institutions, money service businesses, travel companies, other commercial and retail clients through its proprietary software platform, company-owned branches and vaults, and inventory on consignment locations throughout the United States and in Canada, through its wholly owned subsidiary, Exchange Bank of Canada. EBC, located in Toronto, Ontario, is a non-deposit-taking, non-lending Schedule 1 Canadian bank that participates in the Federal Reserve Bank of New York's (FRBNY) Foreign Bank International Cash Services (FBICS) program, a competitive advantage in the Canadian and global markets for the trade of U.S. Dollar banknotes. At July 31, 2023, the Company had 414 employees, 99 of which were employed on a part-time basis.

The Company has developed CXIFX, its proprietary, customizable, web-based software, as an integral part of its business and believes that it represents an important competitive advantage. CXIFX is also an online compliance and risk management tool that integrates with core bank processing platforms to allow a seamless transaction experience. This includes an OnlineFX platform that allows it to market foreign exchange products directly to consumers that operate in 39 States. The trade secrets associated with CXIFX are protected via copyright, restricted access to both the software and its source code, and secure maintenance of source code by a team of software engineers employed by the Company.

Background

The Company has the following revenue streams which it reports in its financial documents as commissions or fees revenue:

Commissions revenue comprises the difference (spread) between the cost and selling price of foreign currency products, including banknotes, wire transmissions, cheque collections and draft issuances (foreign currency margin), and the commissions paid on the sale and purchase of currencies. The amount of this spread is based on competitive conditions and the convenience and value-added services offered.

Fees revenue comprises the following:

i. Fees generated at the Company's branch locations and certain inventory on consignment locations from foreign currency (banknote) exchange, traveler's cheques, currency price protection, and fees collected on payroll cheque cashing; and
ii. Fees collected on foreign-denominated wire transfers, drafts, and cheque-clearing transactions.

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

The Company operates four main vaults (one of which is temporarily closed), serving the Company's operations in Canada and the United States that 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. Onboarding 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 CXIFX software for specific client use during the customer implementation phase. There are two common customer setups:

(All amounts are expressed in U.S. Dollars unless otherwise noted)

i. 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 banknote 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 onboarding clients is low; and

ii. 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 customer 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 onboarding is higher as these clients normally require additional training and support.

CXI and EBC maintain inventory in the form of domestic and foreign banknotes 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. On July 31, 2023, the Company had inventory on consignment in 666 locations, primarily located inside financial institutions across the United States and Canada. To encourage inventory turnover, the Company offers commission as a percentage on volumes generated by these locations. The table below lists the number of wholesale customer relationships and total number of unique active locations that transacted during each of the previous five fiscal years.

	FY 2019	FY 2020	FY 2021	FY 2022	**FY 2023 (YTD)**
Wholesale customer relationships	1,878	1,667	2,481	2,586	2,624
Number of transacting locations	21,595	14,787	15,202	22,170	21,665

The Company's strategy includes an omni-channel, direct-to-consumer approach that allows it to build its brand as a premier provider of foreign currencies in the United States. This includes operating a number of company-owned branch locations that are located in typically high-traffic areas in key tourism markets across the United States, staffed by CXI employees. 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. Company-owned branch locations generate a significant amount of revenue from the exchange of foreign currency, whereas CXI is generally a net seller of currencies 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.

During the current fiscal year, the Company opened two new branch locations, the first one was opened at The Mills at Jersey Gardens in Elizabeth, New Jersey in December 2022 and most recently in the King of Prussia Mall in Pennsylvania in July 2023. The Company also closed the Apple Bank – Union Square location in New York in May 2023.

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The table below lists the individual company-owned branch locations in the United States that were open at July 31, 2023.

Locations	City	State	Opened	Locations	City	State	Opened
Florida Mall Booth #1	Orlando	FL	2007	Montgomery at Bethesda	Bethesda	MD	2013
Mechanics Bank - Berkeley	Berkeley	CA	2007	Shops at Northbridge	Chicago	IL	2013
Ontario Mills Mall	Ontario	CA	2007	Apple Bank - Upper East Side	New York	NY	2014
Potomac Mills Mall	Woodbridge	VA	2007	Cherry Creek	Denver	CO	2014
Sawgrass Mills Mall Booth #1	Sunrise	FL	2007	Citadel Outlets	Los Angeles	CA	2014
Aventura Mall	Aventura	FL	2008	Tyson's Corner Center	Tyson's Corner	VA	2014
Copley Place Mall	Boston	MA	2009	Garden State Plaza	Paramus	NJ	2015
Dadeland Mall	Miami	FL	2009	Mission Valley	San Diego	CA	2015
Dolphin Mall	Miami	FL	2009	The Orlando Eye (Icon Park)	Orlando	FL	2015
MacArthur Mall	Norfolk	VA	2009	International Market Place	Honolulu	HI	2016
Apple Bank - Avenue of Americas	New York	NY	2011	North County	Escondido	CA	2017
Apple Bank - Grand Central	New York	NY	2011	Alderwood Mall	Lynnwood	WA	2019
San Francisco City Center	San Francisco	CA	2011	Pearl Ridge	Aiea	HI	2019
San Jose Great Mall	San Jose	CA	2011	South Coast Plaza	Costa Mesa	CA	2020
Arundel Mills Mall	Hanover	MD	2012	Jersey Gardens	New Jersey	NJ	2022
Santa Monica Place	Santa Monica	CA	2012	Stanford Shopping Center	Palo Alto	CA	2022
Southcenter	Tukwila	WA	2012	The Century City Mall	Los Angeles	CA	2022
Apple Bank - Penn Station	New York	NY	2013	Town Center at Boca Raton	Boca Raton	FL	2022
Mainplace at Santa Ana	Santa Ana	CA	2013	King of Prussia Mall	King of Prussia	PA	2023

The Company has focused on growing its retail presence in the United States through agent locations with operators that bear the responsibility for the fixed costs, including lease commitments and other obligations associated with physical stores. In exchange for exclusive rights to supply and purchase foreign currencies to these agents, CXI consigns inventory to each location and licenses the right to use its name, thereby increasing its brand exposure. All agents are required to meet all of CXI's compliance and operational requirements under their agency agreements. CXI categorizes its agents between airport and non-airport locations, as airports have unique requirements. Through these relationships, CXI maintains a presence at some of the busiest airports in the United States for international traffic, including Charlotte, Chicago, Fort Lauderdale, Minneapolis, Newark, New York, Pittsburgh, Portland and Raleigh-Durham. CXI also has an agency relationship with Duty Free Americas for 29 locations at the busiest ports of entry across the border between the United States and Canada. This adds to the Company's prolific agent relationship with the American Automobile Association, which includes more than 200 locations across 16 States and the District of Columbia.

CXI launched its proprietary OnlineFX platform in 2020 to enable it to reach American consumers outside of its branch and agent network. The platform allows consumers to purchase foreign currency banknotes easily and securely, prior to their international travel. The platform enables consumers to buy more than 90 foreign currencies with direct shipment to their homes or for pick up at one of the Company's locations across the United States. OnlineFX is a core strategic initiative as adoption rates for online purchases are expected to continue to grow.

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The following table lists the number of retail locations by category and the number of States in which the Company's OnlineFX platform operated as at July 31, 2023 and over the end of each of the four preceding fiscal years:

	2019	2020	2021	2022	Q1 2023	Q2 2023	Q3 2023
Company-owned branch locations	46	35	35	37	38	38	38
Airport agent locations	-	7	18	23	25	31	44
Non-airport agent locations	38	47	62	161	161	175	189
States in which OnlineFX operates	-	22	31	38	39	39	39

The Company's largest asset is cash. The cash position consists of local currency banknotes, 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 banknotes 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 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 collection. The credit risk associated with accounts receivable is limited, as the Company's accounts receivables consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. The counterparty risk is generally low, as the majority of the Company's accounts receivable 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 subsequent date.

Selected Financial Data

The following table summarizes the performance of the Company over the last eight fiscal quarters.

Three-months ending	Revenue	Net operating income	Net income	Total assets	Total equity	Earnings per share (diluted)
	$	$	$	$	$	$
7/31/2023	23,363,600	6,437,153	4,055,276	129,643,409	77,590,126	0.60
4/30/2023	18,345,342	3,743,075	2,243,714	134,697,253	73,104,851	0.33
1/31/2023	16,468,402	2,734,159	1,589,499	133,072,968	71,448,732	0.24
10/31/2022	19,800,463	5,401,678	4,383,876	125,528,832	69,305,509	0.66
7/31/2022	21,145,189	7,321,521	4,585,808	155,757,016	65,598,381	0.70
4/30/2022	14,071,953	2,888,757	1,308,445	150,804,096	60,821,752	0.19
1/31/2022	12,450,282	3,111,368	1,504,999	129,297,226	59,332,997	0.23
10/31/2021	10,125,893	775,748	1,633,766	102,982,531	58,015,799	0.25

Seasonality is reflected in the timing when foreign currencies are in greater or lower demand. In a normal operating year, as experienced prior to the COVID-19 pandemic, there is seasonality to the Company's operations with higher revenues generally from March through September and lower revenues from October through February. This coincides with peak tourism seasons in North America when there are generally more travelers entering and leaving the United States and Canada.

The Company developed a strategy of consolidation and diversification to mitigate the risk of financial losses associated with significant volatility in the domestic consumer driven banknote market. The strategy has five pillars, as follows:

(All amounts are expressed in U.S. Dollars unless otherwise noted)

i. Increase its penetration of the financial institution sector in the United States through its 'One Provider, One Platform" multi-product approach through integration of its proprietary software system with the leading core processing platforms for banks;

ii. Develop scale in global payments for small and medium enterprises in Canada by leveraging strategic counterparty relationships through its subsidiary, Exchange Bank of Canada;

iii. Increase its penetration in the global trade of banknotes by leveraging Exchange Bank of Canada's participation in the Federal Reserve Bank of New York's (FRBNY) foreign bank international cash services program (FBICS);

iv. Maximize profitability in the direct-to-consumer business by leveraging the agency model, OnlineFX platform and driving revenue growth at company-owned branches; and

v. Develop the infrastructure to support significant growth in transactional volumes and a matrix organizational structure.

The Company has refined the strategy since it was first developed and monitors its execution against key performance indicators. The diversification strategy has been a significant factor in the Company's resilience and return to profitability. Geopolitical and macroeconomic factors also influence consumer demand for travel. The conflict between Russia and Ukraine, high-commodity prices, inflation, and escalating interest rates may individually (or together) impact the continued recovery of international travel.

The following is a summary of the results of operations for the three-month periods ended July 31, 2023 and 2022:

	Three- months ended July 31, 2023	Three-months ended July 31, 2022	Change	Change
	$	$	$	%
Revenue	23,363,600	21,145,189	2,218,411	10%
Operating expenses	16,926,447	13,823,668	3,102,779	22%
Net operating income	**6,437,153**	**7,321,521**	**(884,368)**	**-12%**
Other income , net	121,471	35,131	86,340	246%
EBITDA*	**6,558,624**	**7,356,652**	**(798,028)**	**-11%**
Net earnings	**4,055,276**	**4,585,808**	**(530,532)**	**-12%**
Basic earnings per share	0.63	0.71	(0.08)	-12%
Diluted earnings per share	0.60	0.70	(0.10)	-14%

*Earnings before interest, taxes, depreciation and amortization

The Company generated $23,363,600 of revenue for the three-month period ended July 31, 2023, a 10% increase relative to the same period last year. The prior period last year saw a significant emergence from the travel restrictions related to the COVID-19 virus. Since travel restrictions progressively eased over the course of 2022, there has been a sustained progressive improvement in the demand for international travel between North America and Europe, the Caribbean and certain Central American destinations such as Costa Rica. Some South American and Asian currencies have been slow to recover but with Japan, relaxing travel restrictions on foreign nationals, these markets have seen increased travel demand in 2023, in addition to certain exotic foreign currencies which also showed increased volume from the same period last year. The revenue increase over the comparable period in the prior year also reflects the acquisition of new customers in both the Banknote and Payments product lines, while trade with foreign financial institutions by Exchange Bank of Canada declined due to the appreciation of the US dollar relative to certain foreign currencies that curtailed exchange patterns seen in the prior year. Compared to the three-month period ended April 30, 2023, revenue increased $5,018,258 or 27%, as demand for foreign currency increased which is consistent with the seasonality associated with the Company's operations around the peak season. The top five currencies by revenue for the three-month period ended July 31, 2023 were the US Dollar (USD), Euro (EUR), Canadian Dollar (CAD), British Pound Sterling (GBP) and Mexican Peso (MXN).

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For the three-month period ended July 31, 2023, revenue grew by $2,218,411, or 10%, and it was primarily due to the growth in the retail market. Revenue in the United States increased by $2,655,336, or 16% over the same period last year, while in Canada it was lower than the same period last year by $436,925, or 9%. Operating expenses grew by $3,102,779, or 22% and that was primarily attributable to an increase in salaries and benefits in addition to the Company's investment in Accounting and Treasury Management systems during the current period, as discussed further below. The Company recorded net operating income of $6,437,153 in the three-month period ended July 31, 2023, 12% lower than the same period in the prior year. Overall, the increase growth in revenue was accompanied by a corresponding increase in operating expenses and the Company generated $4,055,276 in net income during the three-month period ended July 31, 2023, $530,532, or 12% lower than the same period last year.

The Company continued its progression along its three-year strategic plan in the three-month period ended July 31, 2023 that included the following highlights:

i. Continued its growth in the international Payments product line in both Canada and the U.S. EBC initiated trades with 68 new corporate clients, representing an active trading client base of 814 during the same period. The Company processed 32,675 payment transactions, representing $2.566 billion in volume in the three-month period ended July 31, 2023. This compares to 29,824 transactions on $2.691 billion of volume in the three-month period ending July 31, 2022; and

ii. Increased its penetration of the financial institution sector in the United States with the addition of 157 new clients, representing 377 transaction locations.

iii. Continued its growth in direct-to-consumer market with the addition of 13 new airport agent locations and 14 new non-airport locations, supported by 39 States in which the Company operates using its OnlineFX platform and the addition of a new location at the King of Prussia mall which opened in July 2023.

The Company's capital base has grown to $78 million. The Company's credit facility, with its primary lender, increased to $40 million from $20 million during the prior year, and this further strengthens the Company's liquidity position to support its strategic plan. The Company received an additional $10 million accordion with its primary lender during the three-month period ended July 31, 2023 in order to accommodate the peak season inventory requirement, refer to the Liquidity and Capital Resources section. The combination of a growing capital base and debt capacity provide sufficient liquidity to the Company to continue to meet its financial obligations. CXI is well-positioned to support its strategic initiatives that include the organic and inorganic acquisition of new clients in both the Banknote and Payment product lines.

	July 31, 2023	October 31, 2022
	$	$
Total assets	129,643,409	125,528,832
Total long-term financial liabilities	4,659,601	4,163,543
Total equity	77,590,126	69,305,509

The following shows a breakdown of the three-month revenues by geographic location and product line:

(All amounts are expressed in U.S. Dollars unless otherwise noted)

Revenues by Geography

	Three-months ended July 31, 2023	Three-months ended July 31, 2022	Change	Change
	$	$	$	%
United States	19,082,751	16,427,415	2,655,336	16%
Canada	4,280,849	4,717,774	(436,925)	-9%
Total	**23,363,600**	**21,145,189**	**2,218,411**	**10%**

Revenues by Product Line

	Three-months ended July 31, 2023	Three-months ended July 31, 2022	Change	Change
	$	$	$	%
Banknotes	19,529,776	17,566,130	1,963,646	11%
Payments	3,833,824	3,579,059	254,765	7%
Total	**23,363,600**	**21,145,189**	**2,218,411**	**10%**

Revenues in the Banknotes product line increased by 11% to $19,529,776 in the three-months period ended July 31, 2023, from $17,566,130 during the same period in 2022. The growth is attributable to three main drivers. Firstly, consumer demand for foreign currencies has significantly improved as restrictions on international travel have substantially eased over the past year. Between May and July 2023, approximately 230 million travelers passed through TSA check points in United States airports, approximately 99% of pre-pandemic levels; this is an increase of 13% from the same time last year. Secondly, the Company was successful at increasing its market share, as indicated by the increase in new wholesale clients and developing its direct-to-consumer footprint through new locations, including agents and its OnlineFX platform. Relative to the three-month period ended April 30, 2023, Banknote revenue increased by $4,170,019 or 27%, which coincides with typical seasonality in tourism related demand for foreign currencies in North America. Relative to the most comparable period prior to the pandemic, the three-months ended July 31, 2019, Banknote revenue has increased by 66%, reflecting the impact of increased market penetration and expansion of international trade.

Revenues in the Payments product line increased by 7% to $3,833,824 in the three-month period ended July 31, 2023, from $3,579,059 in the same period in 2022. While client acquisition remained consistent with the same time last year, certain top clients experienced declines in their volumes, as a result of the slower economy, however the Company was successful in onboarding new clients and processed more payments transactions with lower volumes at higher margins. The Company processed 32,675 payment transactions, representing $2.566 billion in volume in the three-month period ended July 31, 2023. This compares to 29,824 transactions on $2.691 billion of volume in the same period in 2022. Payments represented a 16% share of revenue in the current three-month period, a slight decrease from the 17% share in the same period in 2022.

Revenues in the United States grew by $2,655,336, or 16%, during the three-months period ended July 31, 2023 when compared to the same period in 2022, led primarily by $1,615,487, or 22%, growth in wholesale banknotes and $778,035, or 11%, in direct-to-consumer banknotes, with the remainder amount of $261,814, or 14%, reflecting growth in payments product line. In Canada, revenues declined by $436,925, or 9%, from the same period last year primarily due to a relatively slower wholesale banknotes market in Canada while revenues from payments product line remained unchanged when compared to the same period in the prior year.

During the three-month period ended July 31, 2023, operating expenses increased 22% to $16,926,447 compared to

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$13,823,668 for the three-month period ended July 31, 2022. Variable costs, represented mostly by postage and shipping as well as sales commissions, incentive compensation and bank fees increased 6% to $5,640,403 compared to $5,307,311 in the three-month period ended July 31, 2022, largely due to the increase in the number of transactions. There has also been a significant rise in shipping fees due to a higher mix of international banknote trade and inflation, including fuel surcharges. The Company recovers some of the shipping costs through fees charged to its clients. CXI has implemented some price increases to compensate for the higher shipping costs levied during fiscal 2022 and 2023 and these strategies were successful in absorbing some of the large shipping costs increases incurred by the Company. The ratio of total operating expenses to total revenue for the three-month period ended July 31, 2023 was 72% compared to 65% for the three-month period ended July 31, 2022. The major components of operating expenses are presented in the table below, with commentary on some of the significant variances.

	Three-months ended July 31, 2023	Three-months ended Jul 31, 2022	Change	Change
	$	$	$	%
Salaries and benefits	8,742,160	7,137,217	1,604,943	22%
Postage and shipping	3,399,600	2,904,638	494,962	17%
Legal and professional	886,392	781,138	105,254	13%
Stock-based compensation	440,181	344,371	95,810	28%
Information technology	848,224	503,248	344,976	69%
Bank service charges	627,437	588,984	38,453	7%
Losses and shortages	771,219	154,098	617,121	400%
Rent	426,255	329,503	96,752	29%
Insurance, taxes & licensing	294,565	253,779	40,786	16%
Travel and entertainment	193,515	198,446	(4,931)	-2%
Foreign exchange (gains) losses	(265,985)	359,105	(625,090)	-174%
Other general and administrative	562,884	269,141	293,743	109%
Operating expenses	**16,926,447**	**13,823,668**	**3,102,779**	**22%**

Salaries and benefits increased when compared to the same period last year, mostly driven by incremental growth in headcount, which increased to 414 in the three-month period ended July 31, 2023, from 320 in the comparative period. The increase is required to manage the growth in the business as the Company continues to recover from COVID-19 and to backfill some of the vacant roles that were cut as part of the Company's restructuring plans during COVID-19. In addition, a partial increase in cost is driven by inflation in base salaries and wages as the Company implemented broad-based increases in 2022 to maintain its competitiveness in the labor market due to the inflationary environment, whereas wages were largely frozen in early 2022 due to the ongoing impact of the pandemic.

Postage and shipping increased primarily due to increases in volumes of shipments associated with the Banknotes product line. The balance is product mix as the international banknote trade involves air freight and third-party processing fees. Inflation, driven in part by high fuel costs, has also been a contributing factor.

Legal and professional fee increases are primarily attributable to consulting costs, which are expensed as incurred, and were related to the implementation of Oracle NetSuite which accounted for $145,298, which was partially offset by a reduction in regulatory compliance program costs at EBC that were incurred last year.

Stock-based compensation includes the amortization related to the vesting of issued and outstanding stock options, Restricted Stock Unit (RSU) and Deferred Stock Unit (DSU) awards, net of revaluation of the liability for the vested portion during the period. The increase is due to the stock price appreciation relative to the same price last year.

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Information technology expenses include non-capital expenditures on software and related service contracts that do not meet the capitalization criteria. About third of the increased costs during the period was associated with the Company's increased reliance on third-party technology service providers to deliver its products, including accounting and treasury management systems, in addition to the continuous improvement to CXIFX software, the Company's proprietary system and other technology related costs that the Company incurs in the normal course of business.

Losses and shortages increased primarily due to lost shipments in transit for which the Company self-insure, reflecting significant shipment and volume increases year-over-year. The increase also reflects amounts that the Company provided for settlement losses on certain exotic currencies that are held in inventory as well as other estimated operational losses.

Foreign exchange (gains) losses include the revaluation of outstanding foreign currency balances to market value, together with the net gain or loss from foreign currency forward and option contracts used to offset the revaluation of inventory positions for foreign currency exposures. The foreign exchange net gains for the three-month period ended July 31, 2023 are primarily attributable to the gains realized on banknotes inventory revaluation under the hedging program which the Company is actively managing for its exposures to foreign currency risks, the majority of the gains were associated with rate changes related to the Mexican Pesos, whereas the rate change in most of the major currencies in the prior year contributed to the majority of the losses over the same three-months ended last year.

The increase in other general and administrative expenses is attributable to higher referral commissions paid to third parties, marketing, office supplies, and other administrative expenses.

Other income and expenses are comprised of the following:

	Three-months ended July 31, 2023	Three-months ended July 31, 2022
	$	$
Interest expense	(303,318)	(430,091)
Interest on lease liabilities	(45,513)	(38,916)
Depreciation and amortization	(375,809)	(358,357)
Depreciation of right-of-use-assets	(477,360)	(413,500)
Gain on sale of assets	5,103	-
Interest revenue	108,489	60,676
Other income (loss)	7,879	(25,545)
Income tax expense	(1,301,348)	(1,529,980)
Total other expenses	**(2,381,877)**	**(2,735,713)**

The interest expense decline is primarily related to a decrease in borrowings utilized to fund short-term working capital needs and foreign currency inventory to support higher banknote volumes. At July 31, 2023, the Company had $6,276,240 drawn on its lines of credit, with $54,103,210 available for use. This compares to $30,703,538 drawn on July 31, 2022, and $20,858,291 available. The average outstanding borrowings by the Company was $11,034,376 for the three-month period ended July 31, 2023, versus $30,703,538 for the three-month period ended July 31, 2022, however, the average interest rate on the credit lines increased significantly in the current period to 8.1% versus the same period in the prior year of 4.9%, refer to Liquidity and Capital Resources on page 15.

(All amounts are expressed in U.S. Dollars unless otherwise noted)

The Company renewed five leases that were recognized as right-of-use assets and lease liabilities under IFRS16 during the three-months period ended July 31, 2023, at a higher interest rate when compared to prior period.

Depreciation and amortization increased as a result of leasehold improvements that were made to one of the Company's locations during the year.

Interest income for the period was favorably impacted by the increased balances in interest bearing accounts in the normal course of business.

The Company recorded an income tax expense amount of $1,301,348 in the three-month period ended July 31, 2023, in comparison to an income tax expense of $1,529,980 in the prior period. The effective tax rate of 24.3% is slightly lower than the effective rate of 25% in the comparative period due to differences in the calculation of taxable income versus accounting income, and similarly for the difference between the effective rate and the statutory tax rate of 26%.

The following is a summary of the results of operations for the nine-month periods ended July 31, 2023 and 2022:

	Nine-months ended July 31, 2023	Nine-months ended Jul 31, 2022	Change	Change
	$	$	$	%
Revenue	58,030,896	47,685,176	10,345,720	22%
Operating expenses	45,116,513	34,365,313	10,751,200	31%
Net operating income	**12,914,383**	**13,319,863**	**(405,480)**	**-3%**
Other income	370,813	66,390	304,423	459%
Other expenses	(31,671)	(578)	(31,093)	5379%
EBITDA*	**13,253,525**	**13,385,675**	**(132,150)**	**-1%**
Net earnings	**7,888,486**	**7,399,247**	**489,239**	**7%**
Basic earnings per share	1.23	1.15	0.08	7%
Diluted earnings per share	1.18	1.13	0.05	4%

*Earnings before interest, taxes, depreciation, and amortization

The Company generated a 22% increase in revenue for the nine-month period ended July 31, 2023 of $10,345,720, relative to the same period in the prior year. The prior year was impacted by the Omicron variant of the COVID-19 virus, notably in Canada where travel advisories and restrictions reduced demand for international travel. Since the Omicron variant passed and travel restrictions progressively eased over the course of 2022, there has been a progressive improvement in the demand for international travel between North America and Europe, the Caribbean and certain Central American destinations such as Costa Rica. The revenue increase over the comparable period in the prior year also reflects the acquisition of new customers in both the Banknotes and Payments product lines, as well as growth in trade with foreign financial institutions by Exchange Bank of Canada.

The Company recorded net operating income of $12,914,383 in the nine-month period ended July 31, 2023, which was slightly lower than the same period in the prior year as the increase in operating expenses marginally exceeded the growth in revenues, primarily due to the increase in some of the variable costs within operating expenses, including postage and shipping costs in addition to the increase in headcount as the Company continues to invest in its people, as result of the revenue growth during the current period relative to the same time last year. The Company generated $7,888,486 in net income during the nine-month period ended July 31, 2023, which is higher than the same time last year by $489,239 or 7%.

(All amounts are expressed in U.S. Dollars unless otherwise noted)

The following shows a breakdown of revenues by geographic location and product line for the nine-months ended July 31, 2023 and 2022:

Revenues by Geography

	Nine-months ended July 31, 2023	Nine-months ended Jul 31, 2022	Change	Change
	$	$	$	%
United States	45,021,880	35,780,376	9,241,504	26%
Canada	13,009,016	11,904,800	1,104,216	9%
Total	**58,030,896**	**47,685,176**	**10,345,720**	**22%**

Revenues by Product Line

	Nine-months ended July 31, 2023	Nine-months ended July 31, 2022	Change	Change
	$	$	$	%
Banknotes	47,668,551	38,728,808	8,939,743	23%
Payments	10,362,345	8,956,368	1,405,977	16%
Total	**58,030,896**	**47,685,176**	**10,345,720**	**22%**

Revenues in the Banknotes product line increased by 23% to $47,668,551 in the nine-months period ended July 31, 2023, from $38,728,808. This demonstrates that the Company was successful at increasing its market share, as indicated by the increase in new wholesale clients and developing its direct-to-consumer footprint through new locations, including agents and its OnlineFX platform. The Company further increased its penetration in the global banknote trade, partially driven by EBC's participation in the foreign bank international cash services program with the FRBNY. Revenues in the Payments product line increased by 16% to $10,362,345 in the nine-month period ended July 31, 2023, from $8,956,368 in the same period in 2022. This demonstrates the Company's success in focusing on the growth of Payments through key client relationships in both the United States and Canada. The diversification strategy has been a significant factor in the Company's resilience.

Revenues in the United States grew by $9,241,504, or 26%, during the nine-months period ended July 31, 2023 when compared to the same period in 2022, led primarily by $5,692,956, or 39%, growth in wholesale banknotes and $2,739,173, or 17%, in direct-to-consumer banknotes, with the remainder amount of $809,375, or 17%, reflecting growth in payments product line. In Canada, revenues grew by $1,104,216, or 9%, during the nine-months period ended July 31, 2023, where both banknotes and payments product lines grew by $507,615, or 7%, and $596,601, or 15%, respectively.

During the nine-month period ended July 31, 2023, operating expenses increased 31% to $45,116,513 compared to $34,365,313 for the nine-months period ended July 31, 2022. Variable costs, including postage and shipping, sales commissions, incentive compensation and bank fees increased 29% to $14,797,293 compared to $11,497,851 in the nine-month period ended July 31, 2022, largely due to the increase in transaction volume. There has also been a significant rise in shipping fees due to a higher mix of international banknote trade and inflation, including fuel surcharges. The Company recovers some of the shipping costs through fees charged to its clients. CXI has implemented some price increases to compensate for the higher shipping costs levied during fiscal years 2022 and 2023 and these strategies were successful in absorbing some of the large shipping costs increases incurred by the Company. The increase in variable expenses was partially offset by an increase in foreign exchange gains of $1,091,802 as outlined below. The major components of operating expenses are presented in the table below, with commentary for some of the significant variances. The ratio of total operating expenses to total revenue for the nine-month period ended July 31, 2023 was 78% compared to 72% for the nine-month period ended July 31, 2022. The major components of operating expenses are presented in the table below, with commentary on some of the significant variances.

(All amounts are expressed in U.S. Dollars unless otherwise noted)

	Nine-months ended July 31, 2023	Nine-months ended Jul 31, 2022	Change	Change
	$	$	$	%
Salaries and benefits	24,393,546	18,880,649	5,512,897	29%
Postage and shipping	8,554,425	5,677,738	2,876,687	51%
Legal and professional	2,255,189	1,775,084	480,105	27%
Bank service charges	1,803,962	1,530,732	273,230	18%
Information technology	2,183,023	1,546,269	636,754	41%
Stock-based compensation	1,397,969	835,557	562,412	67%
Rent	1,248,375	829,135	419,240	51%
Insurance, taxes and licensing	884,816	727,485	157,331	22%
Losses and shortages	1,709,151	419,431	1,289,720	307%
Travel and entertainment	687,226	440,600	246,626	56%
Foreign exchange (gains) losses	(1,091,802)	1,145,824	(2,237,626)	-195%
Other general and administrative	1,090,633	556,809	533,824	96%
Operating expenses	**45,116,513**	**34,365,313**	**10,751,200**	**31%**

Salaries and benefits increased when compared to the prior year, mostly driven by incremental growth in headcount, which increased to 414 in the nine-month period ended July 31, 2023, from 320 in the comparative period, in addition to a partial increase in cost driven by inflation in base salaries and wages as the Company implemented broad-based increases in 2022 to maintain its competitiveness in the labor market due to the inflationary environment, whereas, wages were largely frozen in early 2022 due to the ongoing impact of the pandemic.

Postage and shipping increased significantly from the same period last year due to higher volumes of shipments associated with the Banknotes' product line. The balance is due primarily to product mix, as the international banknote trade involves air freight and third-party processing fees. Inflation, driven in part by high fuel costs, has also been a contributing factor.

The increase in legal and professional fee is primarily attributable to consulting costs, which are expensed as incurred, related to the implementation of Oracle NetSuite which accounted for $370,696 for the nine-month period ended July 31, 2023, with the remainder related to a regulatory compliance program at EBC. Other variances to professional fees included increased legal fees, and inflationary increases on accounting-related services.

Bank service charges comprise of fees incurred for processing wire transactions as part of the Payments line of business in addition to fees incurred by the banks for banknotes deposits. The increase is related primarily to a combined increase in both the Payments' number of transactions and Banknotes deposit fees over the same period in the prior year.

The stock-based compensation includes the amortization related to the vesting of issued and outstanding stock options, Restricted Stock Unit (RSU) and Deferred Stock Unit (DSU) awards, net of revaluation of the liability for the vested portion during the period. The overall expense for the nine-month period ended July 31, 2023 was higher than the same period last year as the expense for DSU and RSU awards reflects the stock price appreciation over the stated period relative to the same period last year, in addition to the new grants issued during the current year.

Information technology expenses include non-capital expenditures on software and related service contracts that do not meet the capitalization criteria. Majority of the increase during the period was associated with the Company's increased reliance on third-party technology service providers to deliver its products, including accounting and treasury management systems, in addition to the continuous improvement to CXIFX software, the Company's proprietary system and other technology related costs that the Company incurs in the normal course of business.

(All amounts are expressed in U.S. Dollars unless otherwise noted)

Losses and shortages include lost shipments in transit for which the Company self-insures and the increase reflects shipment and volume increases year-over-year. The increase also reflects amounts that the Company provided for settlement losses on certain exotic currencies that are held in inventory as well as other estimated operational losses.

Travel and entertainment expenses increased as conferences, trade shows, and in-person business meetings continued its progressive recovery.

Foreign exchange (gains) losses for the nine-months ended July 31, 2023 are primarily attributable to large gains realized on certain exotic (unhedged) currencies, in addition to large net gains from Euros rate change, whereas in the same time last year it there were losses that were broadly distributed across the major currencies.

The increase for other general and administrative expenses is attributable to higher referral commissions paid to third parties, marketing, office supplies, and other administrative expenses.

Other income and expenses are comprised of the following:

	Nine-months ended July 31, 2023	Nine-months ended July 31, 2022
	$	$
Interest expense	(914,760)	(855,473)
Depreciation of right-of-use-assets	(1,439,005)	(1,300,787)
Depreciation and amortization	(1,111,197)	(1,111,007)
Interest on lease liabilities	(141,817)	(104,481)
Interest revenue	339,237	66,390
Other income (expense)	31,576	(578)
Loss on sale of assets	(31,671)	-
Income tax expense	(1,758,260)	(2,614,680)
Total other expenses	**(5,025,897)**	**(5,920,616)**

The interest expense increase is primarily related to an increase in borrowings to fund short-term working capital needs and foreign currency inventory to support higher banknote volumes. The average outstanding borrowings by the Company was $14,794,414 for the nine-month period ended July 31, 2023, versus $22,457,161 for the nine-month period ended July 31, 2022, however, the average interest rate charged on one of the credit lines increased significantly in the current period to 7.3% versus 4.5% for the same period last year, refer to Liquidity and Capital Resources.

The Company had two more locations that are qualified as right-of-use assets during the three-months period ended July 31, 2023, when compared to prior period.

Depreciation and amortization slightly decreased primarily due to leasehold improvement assets that became fully depreciated during the year.

The loss on disposal of assets primarily represents the disposal of the book value of the legacy compliance platform used by the Company during the nine-month ended July 31, 2023 as it has been replaced with another platform that satisfies the ongoing regulatory requirements for Exchange Bank of Canada.

Interest income for the period was favorably impacted by $54,255 received in December 2022 from the IRS related to an expected refund of Employee Retention Credits (ERC) from 2021. Also, the increased balances in interest bearing accounts that the Company maintains in the normal course of business, combined with the significant increase in both Canada's prime rates and US Funds rates drove the variance with the same time last year.

The Company recorded an income tax expense amount of $1,758,260 in the nine-month period ended July 31, 2023, in comparison to an income tax expense of $2,614,680 in the prior period. These represented effective tax rates of 18.6% in the current period versus 26.1% in the comparative period. The variance in the effective tax rate during the period relative to the statutory tax rate of 25.9% is primarily driven by the recognition of a deferred tax asset that is related to stock option expenses that will be deductible on exercise in the future. The benefit was derived by the significant increase in the Company's share price during the nine-month ended July 31, 2023.

Cash Flows

Cash flows from operating activities during the nine-month period ended July 31, 2023, resulted in an inflow of $10,477,461 compared to an inflow of $10,223,826 during the nine-months ended July 31, 2022. The accounts receivable and accounts payable balances fluctuate from period to period due to the volume of activity and timing of transaction settlement. In most instances, accounts receivable and accounts payable have a settlement cycle of 24 to 48 hours. Excluding the changes in balance sheet accounts, operating cash flow, which is generated by commission and fee income and is offset by operating expenses, was $10,477,461 in the nine-month period ended July 31, 2023, versus an operating cash flow of $10,223,826 in the prior year comparative period.

Cash flows from investing activities during the nine-month period ended on July 31, 2023, resulted in an outflow of $680,582 compared to an outflow of $520,923 during the nine-month period that ended on July 31, 2022. Increase in cash flows from investing activities mainly resulted from the cost of leasehold improvements paid for new retail locations in addition to a vehicle purchase.

Cash flows from financing activities during the nine-month period ended July 31, 2023, resulted in an outflow of $1,473,768 compared to an inflow of $25,485,309 during the nine-month period ended July 31, 2022. The Company decreased usage of its lines of credit to $6,276,240 on July 31, 2023, compared to a balance of $30,758,615 on July 31, 2022.

Liquidity and Capital Resources

On July 31, 2023, the Company had net working capital of $68,699,257 compared to $60,378,879 at October 31, 2022.

The Company maintains three lines of credit to meet borrowing needs during peak business periods. On June 15, 2022, the Company entered into an Amended and Restated Credit Agreement with BMO Harris Bank, N.A. The Amended and Restated Credit Agreement increased the revolving line of credit limit from $20,000,000 to $30,000,000 and provided an accordion feature for up to an additional $10,000,000 with the lender's approval. The Amended and Restated Credit Agreement was updated on September 13, 2022, in the form of a Second Amended and Restated Credit Agreement, to reflect the exercised accordion feature, which increased the line of credit to $40,000,000, and a reduced margin spread in the borrowing rate by 25 basis points. The form of Second Amended and Restated Credit Agreement was further amended on July 12, 2023, to provide a seasonal increase in the borrowing capacity by $10,000,000 to $50,000,000, effective through August 31, 2023, and to extend the maturity on the facility to June 2025. The credit line is secured against the Company's cash and other assets. The form of Second Amended and Restated Credit Agreement, as further amended on July 12, 2023, bears interest at one-month Secured Overnight Financing Rate (SOFR) plus 2.25% (5.11% at July 31, 2023 and 4.12% at October 31, 2022). On July 31, 2023, the balance outstanding was $2,481,749 (October 31, 2022, $5,929,847).

On October 19, 2020, the Company's wholly owned Canadian subsidiary, EBC, established a fully collateralized revolving line of credit with Desjardins Group (Desjardins) with a limit of CAD 2,000,000 ($1,517,796), payable on demand, and being secured against cash collateral of CAD 2,000,000 ($1,517,796). On April 25, 2023, EBC amended this facility reducing the revolving line of credit to CAD 500,000 ($379,449), payable on demand, and being secured against cash collateral of CAD 500,041 ($379,480). The line of credit bears interest at the Canadian prime rate and plus 0.25% (7.20% at July 31, 2023 and 5.95% at October 31, 2022). At July 31, 2023, the balance outstanding was $Nil (October 31, 2022, $Nil).

On April 7, 2021, EBC entered into a $20,000,000 USD Revolving Credit Facility (RCF) with a private lender. On July 18, 2022, EBC amended this facility through an Amended and Restated Revolving Loan Agreement, whereby $10,000,000 of this facility was moved from EBC to CXI. On January 19, 2023, the Company entered into Moratorium Agreement (CXI facility) where the Company will not utilize the $10,000,000 without prior written consent from the lender. Additionally, the Company will not incur any standby charges or fees during the Moratorium period. Pursuant to the January 19, 2023 amended agreement, the interest rate on the $10,000,000 facility granted to EBC increased from 6% to a floating rate with floor of 8%, with a standby charge of $1,500 USD per month if the total interest in the month is less than $20,000 USD. The entire $20,000,000 facility is guaranteed by the Company and is subordinated to the Company's and EBC's obligations to primary lenders. These facilities are used for working capital purposes and for daily operational activity and have a term of three years (maturity date January 19, 2026); however, these facilities may be terminated on 90-days' notice by either party. The total outstanding balance for the Company at July 31, 2023, was $3,794,491 (October 31, 2022, $Nil).

(All amounts are expressed in U.S. Dollars unless otherwise noted)

The Company had a total available balance of unused lines of credit of $54,103,210 at July 31, 2023 (October 31, 2022, $55,538,042).

The Company has leases for corporate offices as well as its retail store locations. With the exception of short-term leases and leases of low value underlying assets, each lease, meeting the definition under IFRS 16, is reflected on the condensed interim consolidated statements of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Company sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property and equipment (see Note 9 to the condensed interim consolidated financial statements).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the Company can only use the right-of-use asset. Leases are either non-cancelable or may only be canceled by incurring a substantial termination fee. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over corporate offices and retail store locations, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The table below describes the nature of the Company's leasing activities by the type of right-of-use asset recognized on the condensed interim consolidated statements of financial position:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of lease with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Equipment	1	0 years	1	1	-	-	-
Corporate offices	9	0-10 years	3	5	-	-	-
Retail store locations	24	0-5 years	2	2	-	-	-
Total	**34**	**0-10 years**		**8**	**-**	**-**	**-**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at July 31, 2023, were as follows:

	Within 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 Years	**Total**
Lease payments	1,666,610	883,084	438,613	369,572	336,957	788,367	**4,483,203**
Finance charges	141,958	93,391	71,595	55,890	41,046	91,834	**495,714**
Net present values	**1,524,652**	**789,693**	**367,018**	**313,682**	**295,911**	**696,533**	**3,987,489**

(All amounts are expressed in U.S. Dollars unless otherwise noted)

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 audited consolidated 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 audited consolidated financial statements of the Company.

	Year ended October 31, 2022	Year ended October 31, 2021	Year ended October 31, 2020	Year ended October 31, 2019
	$	$	$	$
Revenues	66,282,550	30,565,660	25,013,423	41,784,043
Net operating income	18,273,390	(48,929)	(3,985,791)	6,152,042
Net earnings (losses)	11,783,124	(1,131,684)	(8,524,029)	2,924,720
Basic earnings per share	1.83	(0.18)	(1.33)	0.46
Diluted earnings per share	1.78	(0.18)	(1.33)	0.46
Total assets	125,528,832	102,982,531	85,758,518	82,729,716
Total liabilities	56,223,323	44,966,732	27,528,783	16,400,679
Total non-current financial liabilities	4,163,543	3,679,493	4,065,164	-
Working capital	60,378,880	49,880,879	47,755,694	58,932,941

Off-Balance Sheet Arrangements

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

Forward and Options Contract Activity

The Company enters into foreign currency forward and option balance sheet hedges to mitigate the risk of fluctuations in the exchange rates of its holdings of major currencies in the Banknotes product line. Changes in the fair value of the contracts and the corresponding gains or losses are recorded and included in operating expenses on the condensed interim 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 through an active foreign exchange hedging program.

The Company enters into foreign currency forward contracts on a daily basis to manage exposure to forward contracts executed with clients in the International Payments product line, changes in the fair value of these are recorded and included in revenues generated through this business product line on the condensed interim consolidated statements of income and comprehensive income.

The fair value of forward and option contract assets at July 31, 2023, was $873,039 (October 31, 2022, $911,443).

As at July 31, 2023 the Company had cash collateral balances that include daily margin requirements related to forward contracts being held of $Nil (October 31, 2022, $2,335,298). They are reflected as restricted cash held in escrow in the condensed interim consolidated statements of financial position.

Critical Accounting Estimates

When preparing the condensed interim consolidated financial statements, management undertakes a number of judgments, estimates, and assumptions about recognition and measurement of assets, liabilities, income, and expenses. The actual results may differ from judgments, estimates, and assumptions made by management, and will seldom equal the estimated results. For an expanded narrative on considering critical accounting estimates, please refer to Note 3 in the Condensed Interim Consolidated Financial Statements for the three and nine-month periods ended July 31, 2023 and 2022.

(All amounts are expressed in U.S. Dollars unless otherwise noted)

Transactions with Related Parties

The remuneration of directors and key management personnel during the three and nine-month periods ended July 31, 2023 and 2022 were as follows:

	Nine-month period ended July 31, 2023	Nine-month period ended July 31, 2022	**Three-month period ended July 31, 2023**	Three-month period ended July 31, 2022
	$	$	$	$
Short-term benefits	3,332,746	2,556,520	1,124,590	868,087
Post-employment benefits	142,462	51,298	51,505	17,059
Stock-based compensation	70,700	254,464	21,713	59,137
Restricted and Deferred Share Units	1,315,575	579,714	415,132	285,235
Total	**4,861,483**	**3,441,996**	**1,612,940**	**1,229,518**

The Company incurred legal and professional fees in the aggregate of $46,635 and $118,893 for the three and nine-month periods ended July 31, 2023 (July 31, 2022, $67,484 and $140,539) charged by entities controlled by directors or officers of the Company.

The Company has clients that are considered related parties through one of its directors. The Company generated $383,498 and $560,751 in revenue from these clients' activities for the three and nine-month periods ended July 31, 2023 (July 31, 2022, $42,373 and $134,246). As at July 31, 2023, accounts receivable included $Nil from related parties (July 31, 2022, $407,368).

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 condensed interim consolidated financial statements.

The Company supports EBC through a $20,000,000 revolving Line of Credit, renewed on July 18, 2022, which attracts interest commensurate with interest charged on the Company's primary line of credit with BMO Harris N.A., are repayable on demand, and are unsecured. At July 31, 2023, the intercompany loan balance was $7,936,779 (October 31, 2022, $2,498,270) and was eliminated upon consolidation.

Key management personnel and directors occasionally conduct transactions with the Company as individuals. Such transactions are immaterial individually and in total, including for the three and nine-month periods ended July 31, 2023 and 2022, and are conducted pursuant to the Company's policies.

All transactions with related parties as noted above are carried out in the normal course of business and at prevailing market rates.

Stock Option Grants

The Company offers an incentive stock option plan (the Plan) which was established on April 28, 2011 and was amended on October 20, 2017. The Plan is a rolling equity-settled plan, under which 15% 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. Under the terms of the Plan, vesting of options occurs on a one-third (1/3) basis upon the first, the second, and the third anniversary of the grant date. The options have a five-year term, unless otherwise specified by the Board of Directors. During the nine-month period ended July 31, 2023, the Company recognized $82,394 in relation to employees' stock option plans that have vested during this period (July 31, 2022, $255,843).

(All amounts are expressed in U.S. Dollars unless otherwise noted)

The following table sets out the information related to each option grant that has not expired and, or was cancelled at the end of the reporting period:

Date of grant	Expiry date	Share price at grant date (CAD$)	Amount granted	Risk-free interest rate	Expected volatility	Exercise price (CAD$)*	Fair value of option at grant date ($)
4-Mar-19	4-Mar-24	25.98	13,316	2.50%	27%	25.83	5.65
23-Oct-19	4-Jun-24	17.03	5,837	1.58%	24%	17.36	3.07
23-Oct-19	23-Oct-24	17.03	72,376	1.58%	24%	17.36	3.07
23-Oct-19	23-Oct-24	17.03	228,754	1.58%	24%	17.36	3.07
23-Oct-19	4-Mar-24	17.03	30,000	1.58%	24%	17.36	3.07
24-Jun-20	24-Jun-25	12.5	29,955	0.33%	23%	12.74	1.87
29-Jul-20	29-Jul-25	10.98	18,000	0.26%	23%	10.83	1.76
29-Oct-20	29-Oct-25	10	322,353	0.37%	23%	10.83	1.33
28-Jan-21	28-Jan-26	11	3,873	0.41%	23%	11.02	2.55
28-Oct-21	28-Oct-26	14.49	134,668	1.16%	22%	14.35	2.57
28-Apr-22	28-Apr-27	17.44	20,000	2.81%	21%	18.10	3.16
25-Jul-22	25-Jul-27	16.96	4,493	2.87%	20%	16.23	3.17
21-Sep-22	21-Sep-27	19.65	5,748	3.57%	37%	18.93	5.61
31-Oct-22	31-Oct-27	18.25	119,386	3.73%	37%	18.37	4.80

*Exercise price is determined by the volume-weighted average share price for the previous 20 trading days

The outstanding options at July 31, 2023, and the respective changes during the periods are summarized as follows:

	Number of options	Weighted average price
	#	CDN$
Outstanding at October 31, 2022	**820,762**	**15.13**
Granted	-	-
Exercised	(53,884)	17.27
Forfeited/cancelled/expired	-	-
Outstanding at July 31, 2023	**766,878**	**14.98**

The following options were outstanding and exercisable at July 31, 2023:

(All amounts are expressed in U.S. Dollars unless otherwise noted)

Grant date	Exercise price (CAD$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
4-Mar-19	$25.83	13,316	0.59	13,316
23-Oct-19	$17.36	30,000	1.23	30,000
23-Oct-19	$17.36	4,362	1.23	4,362
23-Oct-19	$17.36	177,882	1.23	177,882
24-Jun-20	$12.74	29,955	1.90	27,427
29-Jul-20	$10.83	18,000	2.00	18,000
29-Oct-20	$10.83	220,368	2.25	145,953
28-Jan-21	$11.02	3,873	2.50	2,582
28-Oct-21	$14.35	119,495	3.25	39,835
28-Apr-22	$18.10	20,000	3.75	6,668
25-Jul-22	$16.23	4,493	3.99	-
21-Sep-22	$18.93	5,748	4.15	-
31-Oct-22	$18.37	119,386	4.25	-
Total		**766,878**		**466,025**

124,170 of the outstanding options granted on October 23, 2019 were made outside of the Company's stock option plan, and in accordance with the policies of TSX and were approved by the shareholders on March 25, 2020.

Restricted Stock Unit and Deferred Stock Unit Plans

On November 1, 2020 the Company made its inaugural cash-settled grants under the DSU Plan and RSU Plan (the Plans). The awards that may be granted under each of the Plans can be realized in cash only and may not be converted into common shares of the Company. The purpose of these Plans 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. Under the terms of the Plans, vesting of the awards that may be granted under the Plans for management occurs on a one-third (1/3) basis upon the first, the second, and the third anniversary of the grant date, while awards that may be granted under the Plans for directors will vest fully on a quarterly basis in the first year after the grant. All the awards have a three-year term unless otherwise specified by the Board of Directors.

On November 1, 2022, the Company made grants under the RSU Plan and DSU Plan. The Company granted 37,664 RSU awards and 22,553 DSU awards in the amount of $500,995 and $300,000, respectively. In the nine-month period ended July 31, 2023, the Company recorded expenses of $1,315,575, related to RSU and DSU awards, out of which $637,550 was recognized for RSU awards and $678,025 was recognized for DSU awards, (July 31, 2022, $261,578 and 318,136, for RSU and DSU awards, respectively).

Share Capital

As of July 31, 2023, the Company had 6,442,547 common shares outstanding, 466,025 vested, and 300,853 unvested stock options, and no warrants outstanding.

Subsequent Events

The Company evaluated subsequent events through September 13, 2023, the date this MD&A was prepared, and there were no material subsequent events that required recognition or additional disclosure in the condensed interim consolidated financial statements.

Accounting Standards and Policies

A summary of significant accounting policies is described in Note 2 to the Company's condensed interim consolidated financial statements for the three and nine-month periods ended July 31, 2023 and 2022 and the audited financial statements for the year ended October 31, 2022.

Financial Risk Factors

International Conflict

International conflict and other geopolitical tensions and events, including war, military action, terrorism, trade disputes, and international responses thereto have historically led to, and may in the future lead to, uncertainty or volatility in global commodity, energy, and financial markets.

Russia's invasion of Ukraine has led to sanctions being levied against Russia by the international community and may result in additional sanctions or other international action, any of which may have a destabilizing effect on commodity prices and global economies more broadly. Volatility in commodity prices may adversely affect our business, financial condition, and results of operations. Changes in commodity prices may affect oil and natural gas activity levels and the costs of energy in the jurisdiction in which the Company operates. In addition, an escalation in the Ukraine conflict may have an adverse effect on global travel conditions and/or consumer sentiment on travel and tourism, which may adversely impact our business.

The extent and duration of the current Russian-Ukrainian conflict and related international action cannot be accurately predicted at this time and the effects of such conflict may magnify the impact of the other risks identified in this MD&A, including those relating to commodity price volatility and global financial conditions. The situation is rapidly changing, and unforeseeable impacts may materialize and may have an adverse effect on our business, results of operation, and financial condition.

Network Security Risks

Despite the implementation of network security measures by the Company, its infrastructure is potentially vulnerable to computer intrusions and similar disruptive problems. Concerns over Internet security have been, and will continue to be, a barrier to commercial activities requiring consumers and businesses to send confidential information over the Internet. Computer viruses, intrusions or other security problems could lead to misappropriation of confidential or proprietary information, and cause interruptions, delays or cessation in service to the Company's customers. Any such intrusion could have a negative reputational impact on the Company which could affect its revenues and ability to raise capital. Any such intrusion could also compromise the privacy of the Company's proprietary CXIFX software which is integral to its business. In such a case, the Company we may be required to spend significant resources to monitor and protect its intellectual property rights. Litigation brought to protect and enforce those rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of the Company's intellectual property. Any failure to secure, protect and enforce its intellectual property rights could seriously harm the Company and adversely affect its business. Moreover, the security and privacy concerns of existing and potential customers may inhibit the growth of the Internet as a medium for commerce. Any actual or perceived breach of customers' privacy and security could harm the Company's business.

Risk of Downturn in International Travel

International travel is the main driver of a significant part of the Company's business. Uncertainty and negative trends in general economic conditions in Canada and abroad, including significant tightening of markets and rising costs of living, have the potential to create a difficult environment for companies operating in the travel industry. Many factors, including factors that are beyond the control of the Company, could have a detrimental impact on its performance by causing a significant decrease in international travel. These factors include general economic conditions, unemployment levels, energy costs and interest rates, as well as events such as natural disasters, acts of war, terrorism and catastrophes.

Outbreak of Infectious Diseases

(All amounts are expressed in U.S. Dollars unless otherwise noted)

The Company's Banknote business, which represents a significant portion of commissions revenue, is highly correlated to international travel patterns by consumers. The Company's business has been and may continue to be adversely affected by the effects of the widespread outbreak of respiratory illnesses (like COVID-19) and other infectious diseases in its primary North American market, as well as by travel restrictions imposed by governments to limit the effects of these on the health of the local and global population, including restrictions on air travel to and from North America. The impacts of the COVID-19 pandemic have largely stabilized, however, it is not possible to reliably estimate the potential impact of this, or future global disruptions or infectious disease, on the financial position and results of future periods.

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 and option 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. The majority of the Company's receivables reside with banks, money service business customers, and other financial institutions. The Company has longstanding relationships with most of its money service business customers and a strong repayment history.

A breakdown of accounts receivable by category is below:

	July 31, 2023	October 31, 2022
Customer type	$	$
Domestic and international financial institutions	10,949,934	7,823,948
Money-service businesses	3,565,420	5,227,752
Other	1,141,735	1,221,828
Total	**15,657,089**	**14,273,528**

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.

Financial Instruments and Risk Management

IFRS 9 requires that financial statements include certain disclosures about the fair value of financial instruments as set out in IFRS 13 and IFRS 7. These disclosures include the classification of fair values within a three-level hierarchy. The three Levels are defined based on the observation of significant inputs to the measurement, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

The fair value determination is the estimated amount that the Company would receive to sell a financial asset or pay to transfer a financial liability in an orderly transaction between market participants at the measurement date.

There were no transfers between Level 1 and Level 2 during the nine-month period ended July 31, 2023, and the year ended October 31, 2022.

The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value:

(All amounts are expressed in U.S. Dollars unless otherwise noted)

July 31, 2023

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash	97,730,597	-	-	97,730,597
Forward and option contract assets	-	873,039	-	873,039
Total assets	**97,730,597**	**873,039**	**-**	**98,603,636**
Financial liabilities				
Restricted and Deferred Share Units	-	2,195,020	-	2,195,020
Total liabilities	**-**	**2,195,020**	**-**	**2,195,020**

October 31, 2022

	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash	88,559,268	-	-	88,559,268
Forward and option contract assets	-	911,443	-	911,443
Total assets	**88,559,268**	**911,443**	**-**	**89,470,711**
Financial liabilities				
Restricted and Deferred Share Units	-	1,174,226	-	1,174,226
Total liabilities	**-**	**1,174,226**	**-**	**1,174,226**

Foreign Currency Risk

The volatility of the Company's foreign currency holdings may increase as a result of the political and economic environment of the corresponding issuing country and general market dynamics. Several currencies have limited exchange rate exposure as they are pegged to the U.S. Dollar, the reporting currency of the Company. Foreign currency risk is managed through an active hedging program for all positions in excess of its risk appetite, as stipulated in its F/X Risk Policy that is reviewed and approved annually by the board of directors. The hedging program uses a mix of forward and option contracts to limit exposure to fluctuations in currency valuation. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are cost prohibitive to hedge. Unhedged inventory positions are managed to prescribed levels of risk appetite using a value-at-risk methodology. The Company also maintains specific inventory targets aligned with these prescribed limits to minimize the impact of exchange rate fluctuations. These targets are reviewed regularly and are increased or decreased to accommodate demand and seasonal factors within acceptable risk tolerances. The Company also assigns wider bid/ask spreads during heighted periods of volatility. The amount of unhedged inventory held in tills, vaults and in transit at July 31, 2023 was $9,732,523 (October 31, 2022, $5,520,430). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is $7,727,833 (October 31, 2022, $4,594,080). 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 +$155,000/-$155,000 (October 31, 2022, gain/loss of approximately +$92,000/-$92,000).

(All amounts are expressed in U.S. Dollars unless otherwise noted)

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 July 31, 2023, the Company had access to interest-bearing financial instruments in cash and its lines of credit. A significant amount of the Company's cash is held as foreign currency banknotes 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. The Company is subject to a small amount of cash flow interest rate risk from the borrowings on its lines of credit, however, since the borrowings have remained steady and within policy thresholds, the risk is low. Certain borrowings bear interest at variable rates. The Company does not hedge its interest rate exposure.

Liquidity Risk

Liquidity risk is the risk of the Company incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due or from being unable to do so at a sustainable cost. To effectively manage liquidity risk, the Company has implemented preventative risk monitoring measures, including setting a liquidity risk ratio target of 120% or greater, which measures the proportion of unencumbered highly liquid assets to short-term net cash outflows, and setting a minimum liquidity balance requirement of total available cash or undrawn lines of credit to be greater than $4,000,000 notional daily. As required, the Treasurer and Chief Financial Officer (CFO) report any liquidity issues to the Chief Risk Officer (CRO), and the audit committee in accordance with established policies and guidelines. Management has assessed the Company's cash position at July 31, 2023 and determined that it is sufficient to meet its financial obligations.

The following are non-derivative contractual financial liabilities:

July 31, 2023

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	22,972,317	22,972,317	22,972,317	Nil
Holding Accounts	9,666,095	9,666,095	9,666,095	Nil
Lines of credit	6,276,240	6,276,240	6,276,240	Nil

October 31, 2022

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	27,839,239	27,839,239	27,839,239	Nil
Holding accounts	9,137,046	9,137,046	9,137,046	Nil
Lines of credit	5,929,847	5,929,847	5,929,847	Nil

(All amounts are expressed in U.S. Dollars unless otherwise noted)

Capital Management

The Company manages capital through its financial and operational forecasting processes. The Company defines working capital as total current assets less total 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 July 31, 2023	At October 31, 2022
	$	$
Current assets	116,092,939	112,438,659
Current liabilities	(47,393,682)	(52,059,780)
Working capital	**68,699,257**	**60,378,879**

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.