CURRENCY EXCHANGE INTERNATIONAL, CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH PERIODS ENDED JANUARY 31, 2022 AND 2021

CXI CURRENCY EXCHANGE INTERNATIONAL

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 subsidiaries (together, the "**Company,**" or "**CXI**") for the three-months ended January 31, 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 has been prepared as at March 15, 2022 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 unaudited condensed interim consolidated financial statements of the Company for the three-month periods ended January 31, 2022 and 2021, 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, 2021. 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**"), 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 audited 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 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.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 beginning on page 17. 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), 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, and other commercial clients through its proprietary payments' platform, company owned branches and vaults, and inventory on consignment locations, throughout the United States and Canada, by utilizing the Company's sophisticated software application, 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 ongoing system development and enhancement is a core activity of the Company. CXI had 267 employees at January 31, 2022, of which 68 were part-time.

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, which continued operations as Exchange Bank of Canada ("**EBC**"). The head office of EBC is located in Toronto, Ontario, Canada.

The objective of EBC is to 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.

Background

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

Commission revenue comprises 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 open foreign exchange positions 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 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.

Fee revenue comprises the following:

i. Fees generated at the Company's branch locations and certain inventory on consignment locations from foreign currency (bank note) 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.

Overview (continued)

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), 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:

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 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;

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 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;

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, 2022 the Company had inventory on consignment in 791 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.

The Company operates 36 branch locations that are located in typically high tourist traffic areas 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 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.

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

Overview (continued)

In the years prior to the COVID-19 pandemic, the Company had steadily grown its branch network to 46 locations, in addition to the number of wholesale relationships. In response to the significant decline in travel and tourism as a result of measures taken to control the spread of the COVID-19 virus, the Company permanently closed 12 branch locations, the last of which on December 31, 2020. The Company has opened two new locations, one in Costa Mesa, CA on November 9, 2020 and the other in the Stanford Shopping Center on January 3, 2022. Below is a summary of the Company's wholesale company relationships and transacting locations as well as a listing of its 36 branch locations at January 31, 2022.

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

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Q1 2022
Company owned branch locations	41	43	46	35	35	36
Wholesale company relationships*	954	1267	1,878	1,667	2,481	2,700
Number of transacting locations*	14,587	17,017	21,595	14,787	15,202	16,954

*These numbers show the companies and locations that transacted within the period specified.

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 notes 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. The counterparty risk is generally low, 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.

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

Overview (continued)

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

Three-months ending	Revenue $	Net operating income (loss) $	Net income (loss) $	Total assets $	Total equity $	Earnings (loss) per share (diluted) $
1/31/2022	12,462,247	3,111,368	1,504,999	129,297,226	59,332,997	0.23
10/31/2021	9,967,107	776,345	1,634,364	102,525,187	58,015,799	0.25
7/31/2021	8,633,413	1,047,889	(120,246)	92,962,398	56,319,701	(0.02)
4/30/2021	6,573,570	(558,010)	(924,698)	79,856,635	56,520,124	(0.14)
1/31/2021	5,089,428	(1,315,153)	(1,721,104)	82,354,069	57,039,436	(0.27)
10/31/2020	4,935,917	(1,852,195)	(3,465,632)	85,758,517	58,229,735	(0.54)
7/31/2020	3,879,873	(1,993,117)	(2,274,719)	96,105,961	61,462,798	(0.35)
4/30/2020	6,323,344	(2,316,356)	(2,942,948)	99,263,039	62,965,874	(0.43)

Seasonality is reflected in the timing of 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.

CXI has a strong capital base and liquidity position to continue to meet its financial obligations. Management continues to execute against a strategic plan that is focused on a return to sustained profitability through increased penetration in a consolidating market, continued acquisition of corporate payment clients, and expansion in the international marketplace. CXI is well-positioned to support additional growth initiatives, including prospective merger and acquisition opportunities.

	January 31, 2022	October 31, 2021
Total assets	129,297,226	102,525,187
Total long term financial liabilities	3,143,779	3,679,493
Total equity	59,332,997	58,015,799

On March 11, 2020 the World Health Organization officially declared COVID-19, the disease caused by a novel coronavirus (“COVID-19”), a pandemic. The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada and the United States of America, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures have been taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services. These measures have triggered significant disruptions to business worldwide, resulting in reduced economic activity. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. In response to measures implemented to curtail the effects of COVID-19, the Company permanently closed 12 of its retail locations, and one vault on a temporary basis. In addition, the Company restructured its operations, including a consolidation of management positions, resulting in a 26% reduction in employee headcount, from a peak of 361 at March 11, 2020 to 267 at January 31, 2022. Many of the Company’s commercial customers have been impacted by the pandemic, resulting in significantly reduced demand for banknotes. While the Company continues

Overview (continued)

to operate, the threat posed by COVID-19 variants remain a threat that make it impossible to reliably estimate the duration and severity of these consequences as well as their impact on the financial position and results of future periods. Some nations maintain advisories against travel to the United States and Canada as a result of recent increases in COVID-19 cases. The Company continues to pursue a strategy of diversification to reduce reliance on domestic consumer driven banknote trade. This has included growing its international payments segment as well as increasing its presence in the global trade of banknotes with financial institutions in other countries.

Selected Financial Results for the three-months ended January 31, 2022 and 2021

The Company generated revenue for the three-month period ended January 31, 2022 of $12,462,247, a 145% increase over the same period in the prior year. The increase from the prior year reflects not only an improvement in the demand for foreign currencies as international travel recovers, but also the acquisition of new clients in both the banknote and payments segments. The Company recorded net operating income of $3,111,368 in the three-months ended January 31, 2022 versus a net operating loss of $1,315,151 in the same period in the prior year. Given the change in the operating environment over the past year, a more reflective measure of the Company's progress is the continued sequential revenue growth. The revenue in the three-month period ended January 31, 2022 represents a 25% increase over the three-month period ended October 31, 2021. This also represents the third and successive quarter in which the Company has generated positive operating leverage since the three-month period ended January 31, 2020, the last quarter prior to the commencement of the COVID-19 pandemic. The Company did not recognize any government grant income in the three-month period ended January 31, 2022, therefore the profitability in the period is solely attributable to the Company's revenue growth.

The Company continued its progression along its three-year strategic plan in the three-month period ended January 31, 2022, that included the following highlights:

i. Continued its growth in the international payments segment in Canada, initiating trades with 71 new corporations in the three months ended January 31, 2022, increasing its active client base to 610;

ii. Increased its penetration of the financial institution sector in the United States with the addition of 61 new clients, representing 107 locations in the three months ended January 31, 2022;

iii. Exchange Bank of Canada generated its first quarter of net income, coinciding with its first full quarter operating under the Foreign Bank International Cash Services (FBICS) program with the Federal Reserve Bank of New York (FRBNY) that is one of the contributors to the revenue growth.

iv. Growing its direct-to-consumer channel with the opening of a new retail location in the Stanford Shopping Center, in the strategic San Francisco Bay area. In addition, the Company is now licensed in 36 states, enabling via its OnlineFX platform to reach 253 million people representing approximately 76% of the total population of the United States.

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

Results of operations – three-month periods ended January 31, 2022 and 2021 (continued)

	Three-months ended January 31, 2022 $	Three-months ended January 31, 2021 $
Revenue	12,462,247	5,089,429
Operating expenses	9,350,879	6,404,580
Net Operating Income (loss)	**3,111,368**	**(1,315,151)**
Other income	15,047	2,023
Government Grants	-	179,036
Other expenses	-	(1,239)
EBITDA*	3,126,415	(1,135,331)
Net income (loss)	**1,504,999**	**(1,721,104)**
Basic (loss) earnings per share	0.23	(0.27)
Diluted (loss)earnings per share	0.23	(0.27)

*Earnings before interest, taxes. Depreciation and amortization

Revenue for the three-month period ended January 31, 2022 increased by 145% over the same period in the prior year. Payments revenue increased to $2,166,291 or 31% in the three-months ending January 31, 2022, from $1,647,844 in the same period in 2021. This demonstrates the Company's success in focusing on the growth of payments through key client relationships and addition of key staff to drive growth in this segment in both the United States and Canada. The revenue for banknotes nearly tripled, increasing by 199% from $3,441,585 in January 31, 2021 to $10,295,955 during the same period in 2022. The growth is attributable to three main drivers. Firstly, consumer demand for foreign currencies has improved as restrictions on international travel have eased. Secondly, the Company's success at increasing its market share, as indicated by the increase in new clients. Thirdly, the Company has increased its penetration in the global banknote trade. This was the first full quarter in which Exchange Bank of Canada operated under the FBICS program with the Federal Reserve Bank of New York. The revenue growth has been consistent in both the Canadian and United States markets, and across all channels.

The diversification strategy has been a significant factor in the Company's resilience in the face of the ongoing pandemic and its return to profitability earlier than the recovery in international travel would otherwise have allowed on its own. It is anticipated that it may take several years for consumer demand for foreign banknotes to fully recover as it is dependent on a return to pre-pandemic mobility patterns. Until then, demand will likely fluctuate based on the risk of transmission from COVID-19 variants, the severity of symptoms associated with them and travel related restrictions in various geographic markets.

A breakdown of revenue by geographic location is presented below:

	Three-months ended January 31, 2022 $	Three-months ended January 31, 2021 $	Change $	Change %
	Revenues by Geography			
United States	8,958,683	3,674,144	5,284,539	144%
Canada	3,503,564	1,415,284	2,088,280	148%
Total	**12,462,247**	**5,089,429**	**7,372,818**	**145%**
	Revenues by Product Line			
Banknotes	10,295,955	3,441,585	6,854,370	199%
Payments	2,166,292	1,647,844	518,448	31%
Total	**12,462,247**	**5,089,429**	**7,372,818**	**145%**

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

Results of operations – three-month periods ended January 31, 2022 and 2021 (continued)

During the three-month period ended January 31, 2022, operating expenses increased 46% to $9,350,879 compared to $6,404,580 for the three-month period ended January 31, 2021. Variable costs, including postage and shipping, sales commissions and bank fees increased 140% to $2,504,779 compared to $1,041,756 in the three-month period ended January 31, 2021, and is consistent with the increase in revenue. The major components of operating expenses are presented in the table below, with commentary for significant variances. The ratio of operating expenses to total revenue for the three-month period ended January 31, 2022 was 75% compared to 126% for the three-month period ended January 31, 2021, reflecting the growth in revenue outpacing the growth in expenses.

	Three-months ended January 31, 2022 $	Three-months ended January 31, 2021 $	Change $	Change %
Salaries and benefits	5,435,603	4,141,652	1,293,951	31%
Rent	170,732	254,811	(84,079)	-33%
Legal and professional	715,367	452,390	262,977	58%
Postage and shipping	1,199,400	397,374	802,026	202%
Stock based compensation	198,000	132,400	65,600	50%
Travel and entertainment	88,698	39,349	49,349	125%
Bank service charges	473,345	325,185	148,159	46%
Information technology	474,609	319,563	155,046	49%
Losses and shortages	194,738	22,107	172,631	781%
Insurance	193,921	169,425	24,497	14%
Foreign exchange (gains) losses	1,615	(76,029)	77,645	-102%
Other general and administrative	204,851	226,354	(21,503)	-9%
Operating expenses	**9,350,879**	**6,404,580**	**2,946,299**	**46%**

Salaries and benefits increased 31% to $5,435,603 from $4,141,652. $699,155, or 54% of the increase relates to an increase in variable compensation, with sales commissions expense being the largest contributor to that variance by $488,165 while the balance relates to other incentive compensation, driven primarily by the improvement in the Company’s performance. The remaining 46% of the variance is partially related to incremental growth in headcount, which increased to 267 in the three-month period ended January 31, 2022 from 258 in the comparative period. It is also driven by inflation in base salaries and wages as the Company had largely frozen wages during the past two fiscal years.

Rent expense decreased 33% to $170,732 from $254,811. The Company entered into an agreement to settle a dispute with a landlord of 7 of its retail locations, thereby resolving the only remaining dispute around the closures that occurred in 2020 as a result of pandemic related lockdowns. As a result of this agreement, the Company recognized $19,133 in rent abatements related to prior periods as well as $100,517 in adjustments to rent previously recorded on certain leases that were modified as a result of the settlement agreement. The Company also added one branch location in California, increasing overall count of retail location from 35 to 36 in the three-month period ended January 31, 2022.

Legal and professional fees increased 58% to $715,367 from $452,390. The increase is primarily attributable to higher costs related to tax, audit, compliance and professional services, including search fees to recruit certain key roles.

Postage and shipping increased 202% to $1,199,400 from $397,374 and is primarily attributable to the increased volumes associated with the wholesale and retail banknotes segment, in addition to increases levied by carriers due to inflation.

Results of operations – three-month periods ended January 31, 2022 and 2021 (continued)

Stock-based compensation increased 50% to $198,000 from $132,400 due primarily to a change in the classification of the Restricted Stock Units (RSU) and Deferred Stock Units (DSU) expense to a component of stock-based compensation as opposed to salaries and wages, which is where it was presented in the prior year period. The Company recorded expenses of $94,046 related to RSU and DSU awards in the three-months ended January 31, 2022 as part of stock-based compensation. In the three-months ended January 31, 2021, the Company recorded expenses of $87,597 related to RSU and DSU awards as part of the incentive compensation. The RSUs and DSUs are based on the fair value of the Company's common stock and subject to variable accounting treatment.

Travel and entertainment expenses increased 125% to $88,898 from $39,349 as conferences, trade shows and in-person business meetings continued a slow but progressive recovery. The pre-pandemic travel and entertainment expenses were significantly higher. A portion of the travel costs relate to the Company having subsidized the cost for certain employees to travel to work by car who, prior to the COVID-19 pandemic, used public transit. The affected employees are primarily supporting vault operations and cannot carry out their job functions from home.

Bank service charges increased 46% to $473,345 from $325,185. The increase is related to increased volumes for payments activity. These charges are offset partially by fees collected on payments, which are captured in revenue.

Information technology expenses increased 49% to $474,609 from $319,563. $30,567 of the increase is due to variable costs associated with the increased payments volume as the Company relies on third-party technology to deliver those products. The remainder of the increase is due to increased investment in cloud-based technologies such as a new customer relationship management system, and cybersecurity.

Losses and shortages increased to $194,738 from $22,107 in the prior year period. These costs primarily represent losses incurred on low-value shipments that disappear while in transit from time-to-time. However, the Company did recognize a loss of $50,717 related to a burglary at one of its retail branches in the three-months ended January 31, 2022. Such an occurrence is rare, and the Company has undertaken a review of its security procedures in an effort to identify any changes that could further reduce such risk in the future.

Insurance expense increased 14% to $193,921 from $169,425, which is related to general rate increases on insurance premiums, most notably in cybersecurity, where the combination of general industry increases in risk premiums combined with the Company expanding its coverage have led to the increase.

Foreign exchange (gains)/losses decreased 102% from a $76,029 gain in the three-month period ended January 31, 2021 to a $1,616 loss for the same period in 2022. This is mainly due to the change in value of foreign denominated balances between the time of recognition and settlement or translation at period end rates.

Other general and administrative expenses decreased 9% to $204,851 from $226,354. This decrease was mainly driven by a reduction in office supplies, currency signage and other spending that fluctuates from period to period.

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

Results of operations – three-month periods ended January 31, 2022 and 2021 (continued)

Other income and expenses are comprised of the following:

	Three months ended January 31, 2022 $	**Three months ended January 31, 2021** $
Other income	15,047	2,023
Government grants	-	179,036
Other expenses	-	(1,239)
Interest expense	(227,657)	(80,287)
Interest on lease liabilities	(25,678)	(65,688)
Depreciation and amortization	(385,088)	(410,013)
Depreciation of right-of-use-assets	(444,369)	(426,284)
Income tax (expense) benefit	(538,623)	396,499
Total other income (expense)	**(1,606,368)**	**(405,953)**

The Company did not recognize any government grant income in the three-month period ended January 31, 2022 as it no longer met the criteria to be eligible for government assistance. The $179,036 recognized in the prior year period relates to the Company's subsidiary, Exchange Bank of Canada that received support from two federal programs during the three-month period ended January 31, 2021.

Interest expense increased to $227,657 from $80,287. This is primarily related to a credit facility with a private lender that Exchange Bank of Canada secured in April 2021. The facility bears interest at 6% per annum, which is used to fund short-term working capital needs, primarily for international banknote volumes. As at January 31, 2022, the Company had $9,987,678 in outstanding borrowing, with $21,584,773 available. This compares to $6,951,892 outstanding on January 31, 2021 and $14,613,053 available.

Interest on lease liabilities calculated according to IFRS 16, decreased to $25,678 from $65,688 due to lease modifications recorded in the three-months ended January 31, 2022 related to the previously discussed settlement agreement with a landlord for 7 of the Company's retail branch locations, which resulted in a reduction in lease liabilities and interest expense recognized in prior periods.

Depreciation and amortization decreased to $385,088 from $410,013, primarily due to assets that became fully depreciated during the year.

Depreciation on right-of-use assets increased slightly to $444,369 from $426,284 due to the addition of the new retail location at Stanford Shopping Center and the settlement agreement entered into with the landlord relating to 7 other retail locations that resulted in certain lease modifications being recorded in the three-months ended January 31, 2022.

The company recorded income tax expense of $538,623 in the three-month period ended January 31, 2022 in comparison to a benefit of $396,499 in the prior period. This is primarily related to the improvement in taxable income. The effective tax rate of 26.4% is comparable to the statutory tax rate of 26.5%.

Cash flows

Cash flows from operating activities during the three-month period ended January 31, 2022 resulted in an inflow of $24,639,372, compared to an outflow of $5,744,848 during the three months ended January 31, 2021. Approximately 10% of the increase in operating cash flow was due to the impact of the net loss adjusted for non-cash items, while the remainder was due to changes in working capital, driven primarily by a significant increase in accounts payable by $17,543,773. 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 $2,574,633 in three-month period ended January 31, 2022 versus negative cash flow of $986,496 in the prior year comparative period.

Cash flows from investing activities during the three-month period ended January 31, 2022 resulted in an outflow of $150,711 compared to an outflow of $124,549 during the three-month period ended January 31, 2021.

Cash flows from financing activities during the three-month periods ended January 31, 2022 resulted in an inflow of $5,616,807 compared to inflow of $3,050,872 during the three-month periods ended January 31, 2021. The Company increased usage of its line of credit to $6,085,652 on January 31, 2022 compared to a balance of $3,526,799 on January 31, 2021.

Liquidity and capital resources

At January 31, 2022, the Company had working capital of $51,434,931 compared to $49,880,879 at October 31, 2021.

The Company maintains two lines of credit to meet borrowing needs during peak business periods. The Company has a revolving line of credit with BMO Harris Bank, N.A. with a limit of $20,000,000. The credit line is secured against the Company's cash and other assets. The line of credit bears interest at LIBOR plus 2.0% (at January 31, 2022 – 2.60% (October 31, 2021 – 2.59%)). At January 31, 2022, the balance outstanding was $Nil (October 31, 2021 - $Nil).

In October of 2020, the Company's wholly-owned Canadian subsidiary, EBC, established a CDN$2,000,000 revolving line of credit with Desjardins Group ("Desjardins"), being secured against collateral of CDN$2,000,000 posted at October 19, 2020.The line of credit bears interest at CDN prime rate plus 0.25% (at January 31, 2022 – 2.70%) (at October 31, 2021 - 2.70%). At January 31, 2022, the balance outstanding was $Nil (October 31, 2021 – $Nil).

On April 7, 2021, EBC entered into a Revolving Credit Facility with a private lender. The facility is guaranteed by the parent company and is subordinated to the parent company's obligations to its primary lenders. The facility will be purposes of daily operational activity. The credit facility has a limit of $10,000,000 USD, with a maximum amount of up to $20,000,000, with a maturity date of three years (April 7, 2024). It bears interest used for working capital of 6% per annum, and has a standby charge of $1,500 USD per month if total interest is less than $20,000 USD. The Company had $CAD 12,709,500 ($9,992,531) outstanding as of January 31, 2022 (October 31, 2021 - $5,000,000).

The Company had a total available balance of unused lines of credit of $21,584,773 at January 31, 2022 (October 31, 2021 - $27,577,509).

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

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

Liquidity and capital resources (continued)

(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, plant and equipment (see Note 7).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled 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 type of right-of-use asset recognized on balance sheet:

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	2 years	2	1	-	-	-
Corporate offices	11	1-12 years	3	5	-	-	-
Retail store locations	18	0-4 years	1	1	-	-	1
Total	**30**	**0-12 years**	**2**	**7**	**-**	**-**	**1**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at January 31, 2022 were as follows:

	Within 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 Years	Total
Lease payments	1,301,004	503,061	359,359	346,907	303,506	1,340,875	4,154,712
Finance charges	100,548	104,856	88,251	75,687	63,426	176,738	609,505
Net present values	1,200,456	398,205	271,108	271,220	240,081	1,164,137	3,545,207

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 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 consolidated financial statements of the Company.

	Year ended October 31, 2021 $	Year ended October 31, 2020 $	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Revenues	**30,263,518**	**25,013,423**	**41,784,043**	**39,098,141**
Net operating income	(48,929)	(3,985,791)	6,152,042	8,137,804
Net income	**(1,131,684)**	**(8,524,029)**	**2,924,720**	**4,227,243**
Basic earnings per share	($0.18)	($1.33)	$0.46	$0.67
Diluted earnings per share	($0.18)	($1.33)	$0.46	$0.67
Total assets	102,525,187	85,758,518	82,729,716	73,267,274
Total liabilities	44,509,388	27,528,783	16,400,679	10,545,337
Total non-current financial liabilities	3,679,493	4,065,164	-	-
Working capital	**49,880,879**	**47,755,694**	**58,932,941**	**59,483,137**

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

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.

Forward and option contract activity

The Company enters into non-deliverable foreign currency forward and option 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 and option contracts, which represents the amount that would be (paid) received by the Company if the forward contracts were terminated at January 31, 2022 was $260,231 (October 31, 2021 - $461,487).

At January 31, 2022 the Company had cash collateral balances related to forward contracts being held of $1,090,435 (October 31, 2021 - $81,613). They are reflected as restricted cash held in escrow in the 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.

The judgments, estimates and assumptions applied in the condensed interim consolidated financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual consolidated financial statements for the year ended October 31, 2021. The only exceptions are the estimate of income taxes, which are determined in the condensed interim consolidated financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

Transactions with related parties

The remuneration of directors and key management personnel during the three-month periods ended January 31, 2022 and 2021 were as follows:

	Three-months ended	
	January 31, 2022	**January 31, 2021**
	$	$
Short-term benefits	852,649	725,169
Post-employment benefits	20,007	14,892
Stock based compensation	103,066	131,939
Restricted and Deferred Share Units	94,046	87,597
	1,069,768	**959,597**

The Company incurred legal and professional fees in the aggregate of $36,709 for the three-month periods ended January 31, 2021 (2021 - $60,900) charged by entities controlled by directors or officers of the Company.

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

Transactions with related parties (continued)

The Company has clients that are considered related parties through two of its directors. The Company generated $44,887 in revenue from these clients' activities for the three-month period ended January 31, 2022 (2021 – $14,000). As at January 31, 2022, accounts receivable included $751,735 from related parties (2021 - $85,403).

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.

Advances between CXI and EBC are provided under a $20,000,000 Revolving Line of Credit, renewed July 1, 2018 loans attract interest at LIBOR + 2%, are repayable on demand, and are unsecured. At January 31, 2022, the intercompany loan balance was $5,282,997 (October 31, 2021 - $2,274,000) 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 years ending October 31, 2021 and 2020, 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 which was established on April 28, 2011 and was amended most recently October 20, 2017 (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. Under the terms of the Plan, vesting of options occur 1/3 upon the first anniversary, 1/3 upon the second anniversary and 1/3 upon the third anniversary of the grant, and the options have a five-year term, unless otherwise specified by the Board of Directors. The following table sets out the 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 ($)
4-Mar-19	4-Mar-24	25.98	13,316	2.50%	27%	25.83	5.65
4-Mar-19	4-Mar-24	17.03	30,000	1.58%	24%	17.36	3.07
4-Jun-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
24-Jun-20	24-Jun-25	12.50	7,586	0.33%	23%	12.74	1.87
24-Jun-20	24-Jun-25	12.50	22,369	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	10.00	322,352	0.34%	23%	10.83	1.33
28-Dec-20	28-Dec-25	10.80	2,431	0.37%	23%	9.31	2.97
28-Jan-21	28-Jan-26	11.00	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

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

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

Stock Option grants (continued)

The outstanding options at January 31, 2022 and the respective changes during the periods are summarized as follows:

	Number of options #	Weighted average price CDN$
Outstanding at October 31, 2021	813,677	14.01
Forfeited/Cancelled/Expired	(67,118)	17.61
Outstanding at January 31, 2022	746,559	14.64

The following options were outstanding and exercisable at January 31, 2022:

Grant Date	Exercise price (CAD$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
4-Mar-19	25.83	43,316	2.09	28,877
4-Jun-19	17.36	5,837	2.34	5,837
23-Oct-19	17.36	72,376	2.73	72,376
23-Oct-19	17.36	176,924	2.73	100,673
24-Jun-20	12.74	29,955	3.40	24,898
29-Jul-20	10.83	18,000	3.49	18,000
29-Oct-20	10.83	7,032	3.75	7,032
29-Oct-20	10.83	252,147	3.75	56,535
28-Dec-20	9.31	2,431	3.91	810
28-Jan-21	11.02	3,873	3.99	1,291
28-Oct-21	14.35	134,668	4.74	-
Total		746,559		316,329
Weighted Average	14.64			

The 176,924 options outstanding from the October 23, 2019 grant were made outside of the Company's stock option plan, and in accordance with the policies of TSX and was approved by the shareholders on March 25, 2020.

In the three-month period ended January 31, 2022, 88,074 stock options expired that related to grantees whose employment had terminated with the Company. The Company recorded a recovery of $279,941 in Retained Earnings for stock-based compensation that had been recognized in prior periods associated with the forfeited stock options.

The Company recorded expenses of $198,000 related to stock-based compensation out of which $103,954 was recognized for stock option grants and $94,046 was related to RSU and DSU awards (2021 - $44,803 and $87,597, respectively).

Restricted Stock Unit and Deferred Stock Unit Plans

On November 1, 2021 the Company made its grants under the Deferred Share Unit "DSU" Plan and Restricted Stock Unit "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 will occur 1/3 upon the first anniversary, 1/3 upon the second anniversary and 1/3 upon the third anniversary of the grant, while

Restricted Stock Unit and Deferred Stock Unit Plans (continued)

vesting for awards that may be granted under the Plans for directors will occur equally 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, 2021 the Company made grants under Restricted Stock Unit "RSU" Plan and Deferred Share Unit "DSU" Plan (the "Plans"). The Company granted 29,872 RSU awards and 20,533 DSU awards in the amount of $376,250 and $240,000, respectively. The Company recorded $94,046 expense related to RSU and DSU awards as part of stock-based compensation.

Share Capital

As of January 31, 2022, the Company has 6,414,936 common shares outstanding, 316,329 vested and 430,230 unvested stock options, no warrants outstanding and no restricted stock units.

Subsequent events

The Company evaluated subsequent events through March 15, 2022, the date this MD&A was prepared.

There were no other material subsequent events that required recognition or additional disclosure in the consolidated 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, 2021 and 2020.

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 recent 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. 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 Management's Discussion and Analysis, 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.

Outbreak of Infectious Diseases

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 is expected to continue to be adversely affected by the effects of the widespread outbreak of respiratory illness caused by COVID-19 in its primary North American market, as well as by travel restrictions imposed by

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

Outbreak of Infectious Diseases (continued)

governments to limit the effects of COVID-19 on the health of the local and global population, including restrictions on air travel to and from North America. The Company cannot accurately predict the impact COVID-19 will have on its future revenue and business undertaking, due to uncertainties relating to the ultimate geographic spread of COVID-19, the severity of the disease, the duration of the pandemic, and the length of travel and quarantine restrictions imposed by governments of affected countries. As a result, the

Company cannot be assured that measures it has taken, or may take in the future, for business continuity and cost containment will be effective as it is not possible to predict how the Company may be affected if COVID-19 pandemic persists for an extended period of time or in the event of similar health crises in the future.

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 has a strong repayment history, with one exception (see note 21 to the consolidated financial statements).

Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods. They are atypically low at October 31, 2020 due to the reduction in economic activity caused by COVID-19 related impacts. A breakdown of accounts receivable by category is below:

	At January 31, 2022	**At October 31, 2021**
Customer type	**$**	**$**
Domestic and international financial institutions	12,752,454	14,128,422
Money service businesses	1,183,667	2,138,098
Other	204,063	254,850
Total	**14,140,184**	**16,521,370**

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

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

Financial Instruments and Risk Management (continued)

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 three-month period ended January 31, 2022 and the year ended October 31, 2021. The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value.

	At January 31, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Cash	95,596,326	-	-	95,596,326
Forward and option contract assets	-	260,231	-	260,231
Total assets	**95,596,326**	**260,231**	**-**	**95,856,557**
Financial liabilities				
Contingent consideration	-	-	360,090	360,090
Restricted and deferred share units		576,301	-	576,301
Total liabilities	**-**	**576,301**	**360,090**	**936,391**
	At October 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Cash	66,527,690	-	-	66,527,690
Forward and option contract assets	-	461,487	-	461,487
Total assets	**66,527,690**	**461,487**	**-**	**66,989,177**
Financial liabilities				
Contingent consideration	-	-	369,830	369,830
Restricted and deferred share units		644,635	-	644,635
Total liabilities	**-**	**644,635**	**369,830**	**1,014,465**

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 and option 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, 2022 was approximately \$6,328,255 (October 31, 2021 - \$5,359,377). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately \$2,917,085 (October 31, 2020- \$2,182,767). 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 +\$58,000/-\$58,000 (October 31, 2021 gain/loss of approximately +\$44,000/-\$44,000).

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

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

Foreign Currency Risk (continued)

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, 2022, 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
Interest Rate Risk (continued)

is minimal 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 11 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 periods ended January 31, 2022 would have been approximately +$10,400/-$10,400 higher/lower as a result of credit lines held at variable interest rates (2021 - +$6,000/-$6,000).

Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Chief Financial Officer 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:

	At January 31, 2021			
Non-derivative financial liabilities	**Carrying amount**	**Estimated contractual amount**	**This fiscal year**	**Future fiscal years**
	$	**$**	**$**	**$**
Accounts payable	40,893,042	40,893,042	40,893,042	$Nil
Holding Accounts	11,524,434	11,524,434	11,524,434	$Nil
Line of credit	9,987,678	9,987,678	9,987,678	$Nil
Contingent consideration	360,090	360,090	$Nil	360,090

	At October 31, 2021			
Non-derivative financial liabilities	**Carrying amount**	**Estimated contractual amount**	**Next fiscal year**	**Future fiscal years**
	$	**$**	**$**	**$**
Accounts payable	26,641,692	26,641,692	26,641,692	$Nil
Holding Accounts	5,535,804	5,535,804	5,535,804	$Nil
Line of credit	4,037,468	4,037,468	4,037,468	$Nil
Contingent consideration	369,830	369,830	$Nil	369,830

(All amounts 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 January 31, 2022	At October 31, 2021
	$	$
Current assets	118,368,126	90,710,774
Current liabilities	(66,820,450)	(40,829,895)
Working capital	**51,547,676**	**49,880,879**

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.