Currency Exchange International, Corp.

Management's Discussion and Analysis

For the Three-Month Periods Ended January 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) and its subsidiaries for the three-month periods ended on January 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 March 15, 2023 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, 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 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 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, and other commercial 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. dollars banknotes. At January 31, 2023, the Company had 363 employees, 102 of which were part time.

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 sources of revenue which are reported as commissions and fees:

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.

Fee 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), 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. 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 (IT) 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 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 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 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 onboarding is higher as these clients normally require additional training and support.

CXI and EBC currently 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 January 31, 2023, the Company had inventory on consignment in 797 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 table below lists the number of wholesale customers and the total unique active locations that transacted during each of the previous five fiscal years.

	FY 2019	FY 2020	FY 2021	FY 2022	**Q1 2023**
Wholesale company relationships	1,878	1,667	2,481	2,586	2,681
Number of active locations	21,595	14,787	15,202	22,170	16,567

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. That includes the operation 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 purchase 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.

On December 20, 2022 the Company opened a new branch at The Mills at Jersey Gardens, in Elizabeth, New Jersey.

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

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

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

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, Minneapolis, Newark, New York, Pittsburgh, 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 as well as the American Automobile Association, in which 116 of its locations across 12 States and the District of Columbia are agents.

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.

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

The table below lists the number of retail locations by category and the number of states that the Company's OnlineFX platform operated in as at January 31, 2023 and the end of each of the four preceding fiscal years.

	2019	2020	2021	2022	**2023**
Company-owned branch locations	46	35	35	37	38
Airport agent locations	-	7	18	23	25
Non-airport agent locations	38	47	62	161	161
States that OnlineFX operates in	-	22	31	38	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 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.

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 (loss)	Net income (loss)	Total assets	Total equity	Earnings (loss) per share (diluted)
	$	$	$	$	$	$
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	20,661,423	7,321,589	4,585,806	155,757,016	65,598,381	0.70
4/30/2022	13,358,417	2,888,756	1,308,443	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
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)

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.

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In response to the COVID-19 pandemic, 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:

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 in the face of the ongoing pandemic and its ability to generate record revenue and return to profitability in the three-month periods ended January 31, 2023. The Company expects demand to 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. 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 recovery of international travel.

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

	Three-months ended January 31, 2023	Three-months ended January 31, 2022	Change	Change
	$	$	$	%
Revenue	16,468,402	12,450,282	4,018,120	32%
Operating expenses	13,734,243	9,338,914	4,395,329	47%
Net operating income	**2,734,159**	**3,111,368**	**(377,209)**	**(12%)**
Other income	143,085	15,047	128,038	851%
Other expenses	(46,774)	-	(46,774)	N/A
EBITDA*	**2,830,470**	**3,126,415**	**(295,945)**	**(9%)**
Net earnings	**1,589,499**	**1,504,999**	**84,500**	**6%**
Basic earnings per share	0.25	0.23	0.02	9%
Diluted earnings per share	0.24	0.23	0.01	4%

*Earnings before interest, taxes, depreciation, and amortization

The Company generated a 32% increase in revenue for the three-month period ended January 31, 2023 of $16,468,402, 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 top five currencies by revenue for the three-month period ended January 31, 2023 were the US dollar (USD), Canadian dollar (CAD), Euro (EUR), Mexican Peso (MXN) and British Pound Sterling (GBP). South American and Asian currencies have been slow to recover but with Japan and more recently, China, relaxing travel restrictions on foreign nationals, these markets are expected to see increased travel demand in 2023. The revenue increase over the comparable period in the prior year also reflects the acquisition of new customers in both banknote and payments product lines, as well as growth in trade with foreign financial institutions by Exchange Bank of Canada. Compared to the three-month period ended October 31, 2022, revenue decreased $3,332,061 or 17%, which is consistent with seasonality experienced prior to the pandemic, as revenue in the first quarter of 2020 was 14% below that of the preceding quarter.

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The Company recorded net operating income of $2,734,159 in the three-month period ended January 31, 2023, less than the net operating income generated in the same period in the prior year as some variable costs have increased relative to last year, including shipping costs and stock-based compensation which was linked with a higher stock price in addition to the Company's investment in its new accounting system, for which costs are expensed immediately in the period incurred. The Company generated $1,589,499 in net income during the three-month period ended January 31, 2023.

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

i. Continued its growth in the international payments product line in both Canada and the U.S. The EBC initiated trades with 65 new corporate clients, representing an active client base of 712 during the same period. The Company processed 28,486 payment transactions, representing $3,110 million in volume in the three-month period ended January 31, 2023. This compares to 23,478 transactions on $2,300 million of volume in the three-month period ending January 31, 2022;

ii. Increased its penetration of the financial institution sector in the United States with the addition of 62 new clients, representing 83 transaction locations; and

iii. Added the State of Arizona, marking the 39th State that the Company services through its OnlineFX platform.

The Company's capital base has grown to $71 million in addition the growth in credit facility with its primary lender to $40 million from $20 million during the prior year, and this well positions the Company's liquidity position to support its strategic plan. The combination of the solid capital base and debt capacity provide sufficient liquidity 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.

	Three-months ended January 31, 2023	Three-months ended January 31, 2022
	$	$
Total assets	133,072,968	125,528,832
Total long-term financial liabilities	4,624,228	4,163,543
Total equity	71,441,732	69,305,509

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

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

Revenues by Geography

	Three-months ended January 31, 2023	Three-months ended January 31, 2022	Change	Change
	$	$	$	%
United States	11,565,595	9,171,355	2,394,240	26%
Canada	4,902,807	3,278,927	1,623,880	50%
Total	**16,468,402**	**12,450,282**	**4,018,120**	**32%**

Revenues by Product Line

	Three-months ended January 31, 2023	Three-months ended January 31, 2022	Change	Change
	$	$	$	%
Banknotes	13,001,261	10,283,991	2,717,270	26%
Payments	3,467,141	2,166,291	1,300,850	60%
Total	**16,468,402**	**12,450,282**	**4,018,120**	**32%**

Payments revenue increased by 60% to $3,467,141 in the three-month period ended January 31, 2023, from $2,166,291 in the same period in 2022. This demonstrates the Company's success in acquiring new client relationships in both the United States and Canada. The Company processed 28,486 payment transactions, representing $3,110 million in volume in the three-month period ended January 31, 2023. This compares to 23,478 transactions on $2,300 million of volume in the three-months period ended on January 31, 2022. Payments represented a 21% share of revenue in the three-month period ended January 31, 2023, an increase from the 17% share in the three-month period ended January 31, 2022. This reflects the successful execution of the Company's strategic initiative to develop scale in international payments.

Revenue in the banknotes product line increased by 26% from $10,283,991 in the three-month period ending on January 31, 2022, to $13,001,261 during the same period in 2023. The growth is attributable to three main drivers. Firstly, consumer demand for foreign currencies has significantly improved as restrictions on international travel have eased over the past year. Between November 2022 and January 2023, approximately 190 million travelers passed through TSA check points in United States airports, approximately 103% of pre-pandemic levels; this is an increase from 75% in January 2022. 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. Thirdly, the Company has 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. The revenue growth has been consistent in both the Canadian and United States markets, and across all channels on a year-over-year basis. Relative to the three-month period ended October 31, 2022, net banknote revenue decreased by $3,378,275 or 21%, which coincides with a typical seasonal reduction in tourism in North America. Relative to the most comparable period prior to the pandemic, the three-months ended January 31, 2020, banknote revenue has increased by 45%, reflecting the impact of increased market penetration and expansion of international trade.

During the three-month period ended January 31, 2023, operating expenses increased 47% to $13,734,243 compared to $9,338,914 for the three-month period ended January 31, 2022. Variable costs, including postage and shipping, sales commissions, incentive compensation, bank fees, and third-party technology fees increased 47% to $3,581,633 compared to $2,444,342 in the three-month period ended January 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 that it charges to its clients. In some cases, it is built into the margin and the Company has implemented some price increases to compensate for the higher shipping costs. 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 three-month period ended January 31, 2023 was 83% compared to 75% for the three-month period ended January 31, 2022.

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

	Three-months ended January 31, 2023	Three-months ended January 31, 2022	Change	Change
	$	$	$	%
Salaries and benefits	7,715,818	5,435,603	2,280,215	42%
Postage and shipping	2,113,683	1,199,400	914,283	76%
Legal and professional	1,117,145	715,367	401,778	56%
Stock-based compensation	677,155	198,000	479,155	242%
Information technology	565,375	474,609	90,766	19%
Bank service charges	525,363	473,345	52,018	11%
Losses and shortages	443,945	194,738	249,207	128%
Rent	366,479	170,732	195,747	115%
Insurance	227,497	193,921	33,576	17%
Travel and entertainment	197,786	88,698	109,088	123%
Foreign exchange gains	(505,335)	(10,348)	(494,987)	(4783%)
Other general and administrative	289,332	204,849	84,483	41%
Operating expenses	**13,734,243**	**9,338,914**	**4,395,329**	**47%**

Salaries and benefits increase from the prior year is driven by an increase in some of the variable expenses. The 14% increase, or $322,916, relates to an increase in variable compensation with sales commissions expense being the largest contributor to that variance by $170,989, while the balance relates to other incentive compensation, driven primarily by the improvement in the Company's performance. The remaining 86% variance is partially related to incremental growth in headcount, which increased to 363 in the three-month period ended January 31, 2023, from 267 in the comparative period. It is also 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 and approximately half of the increase is due to higher volumes of shipments. 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 fees is primarily attributable to consulting costs, which are expensed as incurred, related to the implementation of Oracle NetSuite and a regulatory compliance program at EBC, increased legal fees, inflationary increases on accounting-related services, and increased advertising expenses supporting the OnlineFX channel.

Bank service charges increased primarily reflecting a 21% increase in payment activity transactions over the same period in the prior year. The increase has been partially offset by a reduction in fees that the Company incurs on wire payments through one of its service providers that took effect on January 1, 2022.

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 increase from the same period last year reflects the increase in the market value of the stock price as of January 31, 2023. In addition, the Company has issued an additional tranche of DSU and RSU awards on November 1, 2022 and included an expense amount equivalent to the portions of these awards that have vested during the three-month period ended January 31, 2023.

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Information technology expenses include non-capital expenditures on software and related service contracts that do not meet the capitalization criteria. $60,952 of the increase during the period was associated with the Company's increased reliance on third-party technology to deliver its products, including Accounting and Treasury Management Systems, in addition to the continuous improvement to CXIFX software, the Company's proprietary system.

Losses and shortages increased primarily related to shipments lost in transit that the Company self-insures, reflecting significant shipment and volume increases year over year. It also reflects provisions for certain exotic currencies held in inventory.

Travel and entertainment expenses increased as conferences, trade shows, and in-person business meetings continued a progressive recovery but have not returned to pre-pandemic levels. A portion of the travel costs incurred in the prior year 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 Company discontinued this practice early in the three-month period ended July 21, 2022.

Foreign exchange gains or losses include the revaluation of outstanding balances with foreign currency 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 gains for the three-month period ended January 31, 2023 is 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 increase for other general and administrative expenses is attributable to higher licenses and fee costs, in part due to operating in more states. It's also reflective of higher utilities, office supplies, and other administrative expenses as the Company has two more branches as compared to the same time last year.

Other income and expenses are comprised of the following:

	Three-months period ended January 31, 2023	Three-months period ended January 31, 2022
	$	$
Interest expense	(354,769)	(227,657)
Interest on lease liabilities	(48,680)	(25,678)
Depreciation and amortization	(361,188)	(385,088)
Depreciation of right-of-use-assets	(478,748)	(444,369)
Loss on sale of asset	(46,774)	-
Interest income	131,211	2,625
Other income	11,874	12,422
Income tax benefit (expense)	2,414	(538,623)
Total other expense	**(1,144,660)**	**(1,606,368)**

The interest expense increase is primarily related to an increase in borrowings to fund short-term working capital needs and primarily foreign currency inventory to support higher banknote volumes. At January 31, 2023, the Company had $24,072,046 in outstanding lines of credit, with $27,430,979 available. This compares to $9,987,678 outstanding on January 31, 2022, and $21,584,773 available. The average outstanding borrowings by the Company during the quarter ended was $20,113,186 for the three-month period ended January 31, 2023, versus $19,184,120 for the three-month period ended January 31, 2022, however, the interest rate charged on one of the credit lines increased significantly in the current period versus the same period in the prior year (refer to Liquidity and Capital Resources on next page).

Interest on lease liabilities calculated according to IFRS 16 Leases (IFRS 16), increased to $48,680 from $25,678 as the

Company had six more active right-of-use (IFRS 16) locations in the three-month period ended January 31, 2023, compared to the same period last year.

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

Loss on sale of asset represents the disposal of the book value of the legacy compliance platform used by the Company 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. The remainder of the variance reflects increased balances in interest bearing accounts in the normal course of business.

The Company recorded an income tax benefit amount of $2,414 in the three-month period ended January 31, 2023, in comparison to an income tax expense of $538,623 in the prior period. The $nil effective tax rate compares to a statutory tax rate of 26% that would yield an expected current tax liability of $413,270. The variance reflects the recognition of a deferred tax asset of $549,828 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 quarter. It was partially offset by certain permanent differences between taxable income and income recognized under generally accepted accounting principles.

Cash Flows

Cash flows from operating activities during the three-month period ended January 31, 2023, resulted in an outflow of $8,324,077 compared to an inflow of $24,639,372 during the three-months ended January 31, 2022. The outflow resulted from changes in working capital, primarily driven by a significant decrease in accounts payable by $10,921,382. 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 $3,153,364 in the three-month period ended January 31, 2023, versus an operating cash flow of $2,532,456 in the prior year comparative period.

Cash flows from investing activities during the three-month period ended on January 31, 2023, resulted in an outflow of $223,875 compared to an outflow of $150,711 during the three-month period that ended on January 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 three-month period ended January 31, 2023, resulted in an inflow of $17,571,489 compared to an inflow of $5,606,807 during the three-month period ended January 31, 2022. The Company increased usage of its lines of credit to $24,072,046 on January 31, 2023, compared to a balance of $9,987,678 on January 31, 2022.

Liquidity and Capital Resources

On January 31, 2023, the Company had net working capital of $62,450,850 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, 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 Amended and Restated Credit Agreement has a term of two years, with a maturity date of June 15, 2024. The credit line is secured against the Company's cash and other assets. The Amended and Restated Credit Agreement bears interest at one-month Secured Overnight Financing Rate (SOFR) plus 2.25%. On January 31, 2023, the balance outstanding was $16,556,922 (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 ($1,467,800), being secured against cash collateral of CAD 2,000,000 ($1,467,800). The line of credit bears interest at the Canadian prime rate, on January 31, 2023 plus 0.25%. On January 31, 2023, the balance outstanding was $Nil (2022, $Nil).

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

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 period of Moratorium. 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 January 31, 2023, was $7,515,124 (October 31, 2022, $Nil).

The Company had a total available balance of unused lines of credit of $27,430,979 at January 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 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 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	1 years	1	1	-	-	-
Corporate offices	9	0–11 years	3	5	-	-	-
Retail store locations	24	0–5 years	2	2	-	-	1
Total	**34**	**0–11 years**	**2**	**8**	**-**	**-**	**1**

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

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at January 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	1,931,756	1,323,400	506,887	365,181	368,337	931,106	**5,426,667**
Finance charges	169,758	110,176	77,323	62,604	47,824	109,372	**577,057**
Net present values	**1,761,998**	**1,213,224**	**429,564**	**302,577**	**320,513**	**821,734**	**4,849,610**

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, 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	18,723,390	(48,929)	(3,985,791)	6,152,042
Net income	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 long-term financial liabilities	4,163,543	3,679,493	4,065,164	-
Working capital	60,378,879	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 January 31, 2023, was $892,844 (2022, $911,443).

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

At January 31, 2023 the Company had cash collateral balances that include daily margin requirements related to forward contracts being held of $250,126 (2022, $2,335,299). They are reflected as restricted cash held in escrow in the condensed interim consolidated statements of financial position.

Critical Accounting Estimates

When preparing the 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-month period ended January 31, 2023.

Transactions with Related Parties

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

	Three-months ended January 31, 2023	Three-months ended January 31, 2022
	$	$
Short-term benefits	1,098,842	852,649
Post-employment benefits	45,427	20,007
Stock based compensation	21,124	103,066
Restricted and deferred share units	646,142	94,046
	1,811,535	**1,069,768**

The Company incurred legal and professional fees in the aggregate of $42,049 for the three-months ended January 31, 2023 (2022, $36,709) charged by entities controlled by directors or officers of the Company.

The Company has clients that are considered related parties through two of its directors. The Company generated $58,502 in revenue from these clients' activities for the three-months ended January 31, 2023 (2022, $44,887). As at January 31, 2023, accounts receivable included $65,800 from related parties (2022, $751,735).

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 Second Amended and Restated Revolving Line of Credit, updated 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 January 31, 2023, the intercompany loan balance was $12,622,140 (2022, $5,282,997) 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-months ended January 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.

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

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 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 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 three-month period ended January 31, 2023, the Company recognized $31,013 in relation to employees' stock option plans that have vested during this period ($103,954 for the same period last year). 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	12.50	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	10.00	322,353	0.37%	23%	10.83	1.33
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
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	199,386	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 January 31, 2023, and the respective changes during the periods are summarized as follows:

	Number of options	Weighted average price
	#	CDN$
Outstanding on October 31, 2022	**820,762**	**15.13**
Granted	-	
Exercised	(23,107)	17.36
Forfeited/canceled/expired	-	
Outstanding on January 31, 2023	**797,655**	**15.06**

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

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

Grant Date	Exercise price (CAD$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
4-Mar-19	$25.83	13,316	1.09	13,316
23-Oct-19	$17.36	30,000	1.73	30,000
23-Oct-19	$17.36	4,362	1.73	4,362
23-Oct-19	$17.36	207,939	1.73	207,939
24-Jun-20	$12.74	29,955	2.40	27,427
29-Jul-20	$10.83	18,000	2.49	18,000
29-Oct-20	$10.83	221,088	2.75	146,673
28-Jan-21	$11.02	3,873	2.99	2,582
28-Oct-21	$14.35	119,495	3.74	39,835
28-Apr-22	$18.10	20,000	4.24	-
25-Jul-22	$16.23	4,493	4.48	-
21-Sep-22	$18.93	5,748	4.64	-
31-Oct-22	$18.37	119,386	4.75	-
Total		**797,655**		**490,134**

135,563 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 within one year of the date of 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 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 three-month ended January 31, 2023, the Company recorded expenses of $646,142, related to RSU and DSU awards, out of which $255,145 was recognized for RSU awards and $390,997 was recognized for DSU awards, ($94,046 for both DSUs and RSUs combined during the same period last year).

Share Capital

As of January 31, 2023, the Company had 6,435,790 common shares outstanding, 490,134 vested, and 307,521 unvested stock options, and no warrants outstanding.

Subsequent Events

The Company evaluated subsequent events through March 15, 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-month period ended January 31, 2023.

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. 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

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 illness caused by COVID-19 in its primary North American market, as well as by travel restrictions imposed by 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. Despite the decreased severity of the pandemic in recent months and the decreased global travel restrictions, the Company cannot accurately predict the impact that COVID-19 will have on its future revenue and business undertaking, due to uncertainties relating to future outbreaks and potential new variants of COVID-19, and their duration. 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.

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

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 condensed interim consolidated financial statements).

A breakdown of accounts receivable by category is below:

	At January 31, 2023	At October 31, 2022
Customer type	$	$
Domestic and international financial institutions	10,863,176	7,823,948
Money service businesses	3,312,527	5,227,752
Other	2,131,113	1,221,828
Total	**16,306,816**	**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.

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

There were no transfers between Level 1 and Level 2 during the three-month period ended January 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.

At January 31, 2023

	Level 1	Level 2	Level 3	**Total**
Financial assets	$	$	$	$
Cash	98,482,227	-	-	98,482,227
Forward and option contract assets	-	892,844	-	892,844
Total assets	**98,482,227**	**892,844**	**-**	**99,375,071**
Financial liabilities				
Restricted and deferred share units	-	1,532,483	-	1,532,483
Total liabilities	**-**	**1,532,483**	**-**	**1,532,483**

At 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 January 31, 2023 was approximately $7,480,909 (October 31, 2022, $5,520,430). The amount of currency that is unhedged and that is not pegged to the U.S. dollar is approximately $5,976,916 (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 +$120,000/-$120,000 (October 31, 2022, gain/loss of approximately +$92,000/-$92,000).

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

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

Interest Rate Risk

At January 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 January 31, 2023 and determined that it is sufficient to meet its financial obligations.

The following are non-derivative contractual financial liabilities:

January 31, 2023

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	16,917,857	16,917,857	16,917,857	Nil
Holding accounts	9,564,581	9,564,581	9,564,581	Nil
Lines of credit	24,072,046	24,072,046	24,072,046	Nil

October 31, 2022

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This 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 January 31, 2023	At October 31, 2022
	$	$
Current assets	119,450,858	112,438,659
Current liabilities	(57,000,008)	(52,059,780)
Working capital	**62,450,850**	**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.