Currency Exchange International, Corp.

Management's Discussion and Analysis

For the Three-Month Periods Ended January 31, 2024 and 2023

CURRENCY EXCHANGE
INTERNATIONAL

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

Scope of Analysis

This Management Discussion and Analysis (MD&A) covers the results of operations and the financial condition of Currency Exchange International, Corp. (CXI or the Company) and its subsidiaries for the three-month periods ended January 31, 2024 and 2023, 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 13, 2024 and should be read in conjunction with the condensed interim consolidated financial statements of the Company for the three-month periods ended January 31, 2024 and 2023, and the notes thereto. A detailed summary of the Company's material accounting policies is included in Note 2 of the Company's audited consolidated financial statements for the years ended October 31, 2023 and 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.sedarplus.ca 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 Financial Risk Factors section beginning on page 18. Readers are cautioned that the above table does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking information in this MD&A, and the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially from those expressed or implied by the forward-looking information contained in this MD&A.

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

Overview

The Company is a publicly traded company (TSX: CXI; OTCBB: CURN) with its head office in Orlando, Florida, and is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario. It specializes in providing currency exchange and related products to financial institutions, money service businesses, travel companies, other commercial and retail clients through its proprietary software platform, company-owned branches and vaults, and inventory on consignment locations throughout the United States and in Canada, through its wholly owned subsidiary, Exchange Bank of Canada. EBC, located in Toronto, Ontario, is a non-deposit-taking, non-lending Schedule 1 Canadian bank that participates in the Federal Reserve Bank of New York's (FRBNY) Foreign Bank International Cash Services (FBICS) program, a competitive advantage in the Canadian and global markets for the trade of U.S. Dollar banknotes. At January 31, 2024, the Company had 406 employees, 91 of which were employed on a part-time basis.

The Company has developed CXIFX, its proprietary, customizable, web-based software, as an integral part of its business and believes that it represents an important competitive advantage. CXIFX is also an online compliance and risk management tool that integrates with core bank processing platforms to allow a seamless transaction experience. This includes an OnlineFX platform that allows it to market foreign exchange products directly to consumers that operate in 41 States. The trade secrets associated with CXIFX are protected via copyright, restricted access to both the software and its source code, and secure maintenance of source code by a team of software engineers employed by the Company.

Background

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

Commissions revenue comprises the difference (spread) between the cost and selling price of foreign currency products, including banknotes, wire payments, cheque collections and draft issuances (foreign currency margin), together with the net (realized or unrealized) gain or loss from foreign currency forward contracts with customers, and the commissions paid on the sale and purchase of currencies. The amount of this spread is based on competitive conditions and the convenience and value-added services offered.

Fees revenue primarily 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 five vaults serving the Company's operations in Canada and the United States that serve as distribution centers for its branch network, as well as order fulfillment centers for its clients including financial institutions, money-service businesses, and other corporate clients. Revenues generated from vaults have greater scale as the Company maintains a sales force to increase its geographic customer base. Exchange rate margins vary from customer to customer and are dependent on criteria such as exchange volumes and customer setup. Onboarding of new clients, specifically banking clients, normally requires an upfront investment, such as training, and currency signage, as well as additional one-time shipping costs to distribute start-up materials. The Company also normally absorbs information technology costs to customize the CXIFX software for specific client use during the customer implementation phase. There are two common customer setups:

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

i. Centralized setup - for customers with a high volume of foreign currency exchange who maintain and manage their own inventory in central vault facilities. The Company offers bulk wholesale banknote trading. Trades of this nature are generally executed at lower margins, as the cost per transaction is low and the average value is high. The customer implementation phase is normally shorter, and the costs of onboarding clients is low; and

ii. Decentralized setup - many customers have determined that it is advantageous to avoid a currency inventory and allow their locations to buy and sell directly from CXI. Transactions in a decentralized setup typically are executed at a higher margin, as the average transaction is low and the cost to fulfill each trade is higher than that of a centralized setup. Several of the Company's financial institutions outsource their currency needs in return for a commission, based upon exchange volume. When a customer outsources their currency needs, the Company is granted access to the entire branch network, thus, immediately increasing its geographic footprint and expanding its customer base. The customer implementation phase is normally longer in a decentralized setup and the cost of client onboarding is higher as these clients normally require additional training and support.

CXI and EBC maintain inventory in the form of domestic and foreign banknotes in financial institutions and other high-traffic locations. These locations can be very profitable as there are no occupancy costs or payroll. Foreign exchange currency is placed in these locations on a consignment basis. On January 31, 2024, the Company had inventory on consignment in 698 locations, primarily located inside financial institutions across the United States and Canada. To encourage inventory turnover, the Company offers commission as a percentage on volumes generated by these locations. The table below lists the number of wholesale customer relationships and total number of unique active locations that transacted during each of the previous five fiscal years.

	FY 2020	FY 2021	FY 2022	FY 2023	**FY 2024 (Q1)**
Wholesale customer relationships	1,667	2,481	2,586	2,658	3,017
Number of transacting locations	14,787	15,202	22,170	22,551	18,393[1]

[1]Note that the number of transacting locations in FY2024 only reflect the activity of the three-month period ended January 31, 2024 and not a full year. This period is also not the busiest period of the year based on typical travel seasonality. For the three-month period ended January 31, 2023, there were 16,567 transacting locations.

The Company's strategy includes an omni-channel, direct-to-consumer approach that allows it to build its brand as a premier provider of foreign currencies in the United States. This includes operating a number of company-owned branch locations that are located in typically high-traffic areas in key tourism markets across the United States, staffed by CXI employees. These locations hold domestic and foreign currencies to buy and sell on demand. The currency exchange margins associated with the transactions occurring at these locations are generally higher in order to recapture costs of deployed capital in the form of domestic and foreign currencies, rent, payroll, and other general and administrative costs. Company-owned branch locations generate a significant amount of revenue from the exchange of foreign currency, whereas CXI is generally a net seller of currencies to its bank and non-bank clients. Excess currency collected via the branch network can be redeployed to financial institutions and non-bank clients, which reduces the need to source currency through wholesale sources at a greater cost, thus increasing currency margins.

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

As of January 31, 2024, the Company had 38 company-owned branch locations across the United States. The table below lists the individual company-owned branch locations operating in the United States as of January 31, 2024:

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

The Company has focused on growing its retail presence in the United States through agent locations with operators that bear the responsibility for the fixed costs, including lease commitments and other obligations associated with physical stores. In exchange for exclusive rights to supply and purchase foreign currencies to these agents, CXI consigns inventory to each location and licenses the right to use its name, thereby increasing its brand exposure. All agents are required to meet all of CXI's compliance and operational requirements under their agency agreements. CXI categorizes its agents between airport and non-airport locations, as airports have unique requirements. Through these relationships, CXI maintains a presence at some of the busiest airports in the United States for international traffic, including Charlotte, Chicago, Fort Lauderdale, Minneapolis, Newark, New York, Pittsburgh, Portland, Raleigh-Durham, and most recently Philadelphia's airport. CXI also has an agency relationship with Duty Free Americas for 29 locations at the busiest ports of entry across the border between the United States and Canada. This adds to the Company's prolific agent relationship with the American Automobile Association, which includes more than 200 locations across 17 states and the District of Columbia. The Company continuously monitors the performance of its agent locations and, as necessary, may discontinue relationships and/or close locations when volumes or revenues do not meet targets.

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 branches across the United States. OnlineFX is a core strategic initiative and adoption rates for online purchases are expected to continue to grow.

The following table lists the number of retail locations by category and the number of states in which the Company's OnlineFX platform operated as at January 31, 2024 and at the end of each of the five preceding fiscal years:

	2019	2020	2021	2022	2023	**Q1 2024**
Company-owned branch locations	46	35	35	37	38	38
Airport agent locations	-	7	18	23	45	49
Non-airport agent locations	38	47	62	161	235	231
States in which OnlineFX operates	-	22	31	38	40	41

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

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 as well as bank accounts 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 and payable balances consist primarily of bulk wholesale transactions that are awaiting collection and settlement. The credit risk associated with accounts receivable is limited, as the Company's accounts receivables consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. The counterparty risk is generally low, as the majority of the Company's accounts receivable reside with financial institutions and money service business customers. The Company has longstanding relationships with most of its customers and has a strong repayment history.

Selected Financial Data

The following table summarizes the performance of the Company over the last eight fiscal quarters[1]:

Three-month period ended	Revenue	Net operating income	Net income	Total assets	Total equity	Earnings per share (diluted)
	$	$	$	$	$	$
1/31/2024	18,106,918	2,247,267	849,874	133,780,438	80,520,993	0.13
10/31/2023	22,786,072	5,818,667	2,303,822	132,049,444	79,232,981	0.34
7/31/2023	23,587,589	6,438,354	4,056,478	129,643,409	77,590,126	0.60
4/30/2023	18,694,919	3,743,069	2,243,708	134,697,253	73,104,851	0.33
1/31/2023	16,886,189	2,734,159	1,589,499	133,072,968	71,448,732	0.24
10/31/2022	19,800,463	5,401,678	4,383,876	125,528,832	69,305,509	0.66
7/31/2022	21,145,189	7,321,521	4,585,808	155,757,016	65,598,381	0.70
4/30/2022	14,071,953	2,888,757	1,308,445	150,804,096	60,821,752	0.19

[1]Certain historical numbers in this table have been restated to conform with the numbers presented in the current period's financial statements.

While seasonality is generally not a consideration for the Payments product line, it has an impact on the Banknotes product line in the timing when foreign currencies are in greater or lower demand. In a normal operating year, there is seasonality to the Company's operations with higher commission revenue generally from March through September and lower commissions revenue from October through February. This coincides with peak tourism seasons in North America when there are generally more travelers entering and leaving the United States and Canada.

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

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

ii. 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;

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

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

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

The Company reviews the strategy annually and monitors its execution against key performance indicators. The diversification strategy has been a significant factor in the Company's resilience and considers geopolitical and macroeconomic factors that influence consumer demand for travel.

The following is a summary of the results of operations for the three-month periods ended January 31, 2024 and 2023:

	Three-month period ended January 31, 2024	Three-month period ended January 31, 2023	Change	Change
	$	$	$	%
Revenue	18,106,918	16,886,189	1,220,729	7%
Operating expenses	15,859,651	14,152,030	1,707,621	12%
Net operating income	**2,247,267**	**2,734,159**	**(486,892)**	**-18%**
Other income, net	86,645	96,311	(9,666)	-10%
EBITDA*	**2,333,912**	**2,830,470**	**(496,558)**	**-18%**
Net income	**849,874**	**1,589,499**	**(739,625)**	**-47%**
Basic earnings per share	0.13	0.25	(0.12)	-48%
Diluted earnings per share	0.13	0.24	(0.11)	-46%

*Earnings before interest, taxes, depreciation and amortization

The Company generated revenue of $18,106,918 for the three-month period ended January 31, 2024, a 7% increase from the same period last year. The revenue increase over the comparable period was primarily driven by an increase in activity from travel resumption towards pre-COVID-19 levels, new customer acquisition in both the Banknotes and Payments product lines, partially offset by a decline in trade with foreign financial institutions by Exchange Bank of Canada reflecting reduced demand for USD volumes compared to the same time last year. Compared to the three-month period ended October 31, 2023, revenue decreased $4,679,154 or 21%, as demand for foreign currency decreased consistent with the seasonality associated with the Company's operations during the period. The top five currencies by revenue for the three-month period ended January 31, 2024 were the US Dollar (USD), Euro (EUR), Canadian Dollar (CAD), Mexican Peso (MXN), and British Pound Sterling (GBP). (Three-months ended January 31, 2023: US Dollar (USD), Canadian Dollar (CAD), Euro (EUR), Mexican Peso (MXN), and British Pound Sterling (GBP)).

The 7% growth in revenues of $1,220,729 was primarily due to growth in the retail market by $972,608. Revenue in the United States increased by $2,532,754, or 22% over the same period last year, while in Canada it declined by $1,312,025, or 25%. Corresponding with the revenue growth, operating expenses increased by $1,707,621, or 12%, primarily attributable to an increase in salaries and benefits. The Company recorded net operating income of $2,247,267 in the three-month period ended January 31, 2024, 18% lower than the same period in the prior year. Overall, the Company generated $849,874 in net income during the three-month period ended January 31, 2024, $739,625, or 47% lower than the same period last year, primarily attributable to the Canadian region as discussed further below.

The Company continued its progression along its three-year strategic plan in the three-month period ended January 31, 2024 that included the following highlights:

i. Continued its transaction growth in the International Payments product line in both Canada and the U.S. EBC initiated trades with 63 new corporate clients, representing an active trading client base of 814 during the same period. The Company processed 35,618 payment transactions, representing $2.99 billion in volume. This compares to 28,486 transactions on $3.11 billion of volume in the three-month period ending January 31, 2023;

ii. Increased its penetration into the financial institution sector in the United States with the addition of 124 new clients, representing 135 transaction locations;

iii. Continued its growth in the direct-to-consumer Banknotes market with the addition of 4 new airport agent locations, including two in Philadelphia airport, a first; and

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

iv. Added the State of Alabama, making it the 41st State in which the Company provides its services through its OnlineFX platform. The platform is currently serving 89% of the U.S. population.

The Company's capital base has grown to $80.5 million. The Company remains well capitalized and maintains a credit facility in the amount of $40 million with its primary lender that further strengthens the Company's liquidity position to support its strategic plan. Refer to the Liquidity and Capital Resources section. The combination of a growing capital base and adequate borrowing capacity provides sufficient liquidity for the Company 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 Banknotes and Payments product lines.

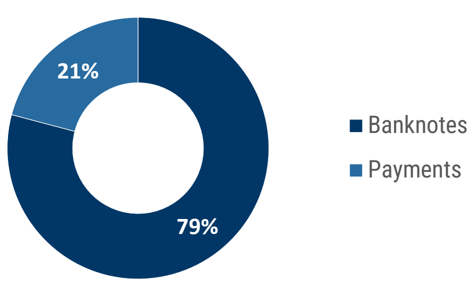
	As of January 31, 2024	As of October 31, 2023
	$	$
Total assets	133,780,438	132,049,444
Total long-term financial liabilities	3,623,388	2,719,288
Total equity	80,520,993	79,232,981

The following shows a breakdown of revenues for the three-month periods ended January 31, 2024 and 2023 by product line and geographic location:

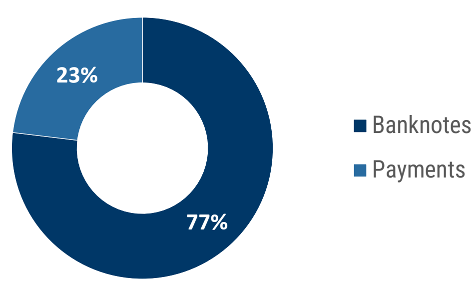
Revenues by Product Line

	Three-month period ended January 31, 2024	Three-month period ended January 31, 2023	Change	Change
	$	$	$	%
Banknotes	14,327,062	12,987,341	1,339,721	10%
Payments	3,779,856	3,898,848	(118,992)	-3%
Total	**18,106,918**	**16,886,189**	**1,220,729**	**7%**

Three-month period ended January 31, 2024



Three-month period ended January 31, 2023



Revenue by Product Line

Banknotes

Revenues in the Banknotes product line increased by $1,339,721 or 10% in the three-month period ended January 31, 2024, from the same period in 2023, due to strong demand from the increased travel levels in addition to larger demand of exotic currencies. This was evident by the continued growth in consumer demand for foreign currencies as international travel continued to strengthen in both the U.S. and Canada. Between November 2023 and January 2024, approximately 201 million travelers passed through TSA check points in United States airports, on par to pre-pandemic levels. This is an increase of 5% from the same time last year.

Direct-to-consumer Banknotes revenues increased by $972,608, or 19%. The Company's market share has continued to grow as indicated by its direct-to-consumer footprint through new locations, including agents and its OnlineFX platform. The growth was attributed to the following: (i) Company's owned retail locations, as many locations have matured over time and drove higher volumes, (ii) Opening of an additional airport location which has further expanded the reach to travelers, and (iii) Geographic reach of the OnlineFX platform with its continued expansion with the addition of the State of Alabama, making it the 41st State that OnlineFX supports, serving 89% of the U.S. population. Direct-to-consumer revenues represented 34% of the total revenue in the current three-month period, compared to 30% in the same period in 2023.

Wholesale Banknotes revenues increased by $367,113, or 5%, the Company's overall growth was primarily attributed to new customer acquisition in domestic Wholesale Banknotes and the increase in volumes. Wholesale Banknotes revenues represented 45% of total revenue in the current three-month period, compared to 47% in the same period in 2023.

Relative to the three-month period ended October 31, 2023, Banknotes revenue decreased by $4,865,580 or 25%, which coincides with the typical seasonal reduction in tourism in North America. Relative to the most comparable period prior to the pandemic, the three-month period ended January 31, 2020, Banknotes revenue has increased by 60%, reflecting the impact of increased market penetration.

Payments

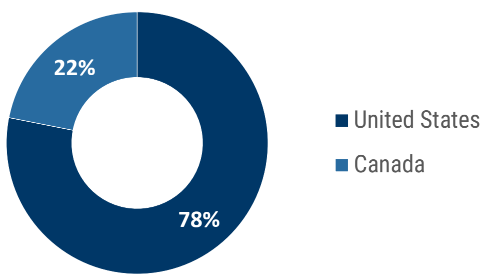
Revenues in the Payments product line decreased by 3% in the three-month period ended January 31, 2024, compared to the same period in 2023. The growth in new customer acquisition in the United States resulted in a notable growth of 33% for the period, however, there were reduced volumes in Canada that resulted in a 33% revenue decline, causing an overall 3% reduction in this product line. The Company processed 35,618 payment transactions, representing $2.99 billion in volume in the three-month period ended January 31, 2024, this compares to 28,486 transactions on $3.11 billion of volume in the same period in 2023 with the majority of the growth relating to the United States. Payments represented a 21% of total revenue in the current three-month period, compared to 23% in the same period in 2023.

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

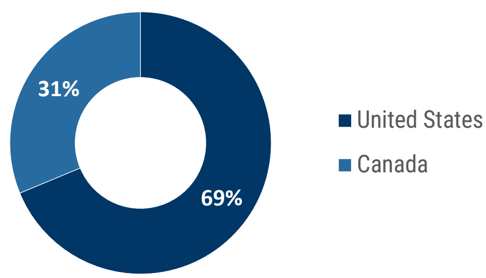
Revenues by Geographic Location

	Three-month period ended January 31, 2024	Three-month period ended January 31, 2023	Change	Change
	$	$	$	%
United States	14,141,020	11,608,266	2,532,754	22%
Canada	3,965,898	5,277,923	(1,312,025)	-25%
Total	**18,106,918**	**16,886,189**	**1,220,729**	**7%**

Three-month period ended January 31, 2024



Three-month period ended January 31, 2023



Revenue by Geographic Location

United States

Revenues grew by 22% during the three-month period ended January 31, 2024 when compared to the same period in 2023, led primarily by $976,257, or 21%, growth in Wholesale Banknotes and $972,608, or 19%, in direct-to-consumer Banknotes, with the remainder of the growth related to Payments of $583,889, or 33%. As outlined above, the growth in Wholesale and Direct-to-consumer Banknotes revenues were largely impacted by new customer acquisition and an increase in transactions as travel to and from the U.S. continued to increase, whereas in the Payments product line the growth was primarily a result of new customer acquisition and activity growth by certain key customers. Direct-to-consumer Banknotes revenue also showed increasing demand for certain exotic currencies during the current period in addition to the natural growth across most of the locations and through the Company's OnlineFX platform. Revenues in the U.S. represented 78% of total revenues by geographic location in the current three-month period, compared to 69% in the same period in 2023.

Canada

Revenues declined by 25% from the same period last year primarily due to a decline in transacted volumes for US Dollars with international clients, however Domestic Banknote revenue maintained levels from the same period last year. Accordingly, revenues in the Banknotes product line declined by $609,143, or 19%, while the Payments product line declined by $702,882, or 33%, compared to the same period in the prior year. The decline in Payments was impacted by reduced transactional volumes for certain key clients in addition to unfavorable foreign exchange movements that impacted trends in transactional volumes. Revenues in Canada represented a 22% share of total revenues by geographic location in the current three-month period, compared to 31% in the same period in 2023.

During the three-month period ended January 31, 2024, the Company's operating expenses increased 12% compared to the same period last year. This 12% increase is higher than the 7% growth in revenues due to slower revenue growth in Canada.

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

Variable costs within operating expenses, represented by postage and shipping, sales commissions, incentive compensation and bank fees have remained consistent with the prior period and totaled $3,883,412 compared to $3,820,500 in the three-month period ended January 31, 2023. The ratio comparing total operating expenses to total revenue for the three-month period ended January 31, 2024 was 88% compared to 84% for the three-month period ended January 31, 2023.

The major components of operating expenses are presented in the table below, with commentary on some of the significant variances.

	Three-month period ended January 31, 2024	Three-month period ended January 31, 2023	Change	Change
	$	$	$	%
Salaries and benefits	9,551,845	8,004,377	1,547,468	19%
Postage and shipping	2,028,360	2,108,485	(80,125)	-4%
Information technology	943,472	656,841	286,631	44%
Stock-based compensation	681,625	677,155	4,470	1%
Legal and professional	669,344	660,256	9,088	1%
Bank service charges	545,815	526,877	18,938	4%
Rent	518,886	396,279	122,607	31%
Insurance, taxes and licensing	302,875	319,086	(16,211)	-5%
Travel and entertainment	156,023	226,746	(70,723)	-31%
Losses and shortages	155,629	441,636	(286,007)	-65%
Foreign exchange gains	(37,514)	(136,733)	99,219	-73%
Other general and administrative	343,291	271,025	72,266	27%
Operating expenses	**15,859,651**	**14,152,030**	**1,707,621**	**12%**

Salaries and benefits increased when compared to the prior year, mostly driven by incremental growth in headcount, which increased to 406 at January 31, 2024 from 363 in the same period last year, in addition to a partial increase in cost driven by inflation in base salaries and health care costs.

Postage and shipping had a 4% decrease when compared to the same period last year despite the 10% growth in Banknotes volumes. This decline reflects cost management initiatives implemented by the Company to control the increase in shipping prices which were adopted during the second half of 2023.

Information technology expenses include non-capital expenditures on software and related service contracts that do not meet the capitalization criteria. The majority of the increased costs during the period was associated with the Company's continued development of its technology solutions including CXIFX software to streamline its business and customers service delivery, and the implementation of the treasury management system. During the three-month ended January 31, 2024, the Company incurred additional cost to develop an automated system that integrates with the Company's core banking system and enables processing image cash letters, in addition to certain security systems costs that the Company incurs in the normal course of business.

Rent increased due to expansion in branches in which the Company operates its direct-to-consumer business. The current period reflects the rent for the Orlando International Airport location, signed in August 2023, and certain rent agreements renewed at higher rates.

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

Losses and shortages represent shipments lost in transit that the Company self-insures. The favorable variance was primarily due to a decrease in lost shipments and is a result of cost management initiatives that the Company implemented to manage shipments, including converting many shipments to armored delivery.

Foreign exchange gains reflected reduced volatility for the period, the result of foreign exchange hedging and risk management strategies.

The increase in other general and administrative expenses is attributable to higher marketing, office supplies, and other administrative expenses.

Other income and expenses are comprised of the following:

	Three-month period ended January 31, 2024	Three-month period ended January 31, 2023
	$	$
Depreciation of right-of-use-assets	458,905	478,748
Depreciation and amortization	419,269	361,188
Interest expense	148,984	354,769
Interest on lease liabilities	40,086	48,680
Interest revenue	(86,645)	(131,211)
Other income	-	(11,874)
Loss on sale of assets	-	46,774
Income tax expense (recovery)	416,794	(2,414)
Total other expenses	**1,397,393**	**1,144,660**

The right-of-use (ROU) assets' depreciation change is primarily driven by the change in the Company's branch locations qualifying for ROU that are opened and closed during the current period compared to the prior period and modifications to existing ROU leases. During the current period, the Company opened one new location, whereas, in the same period last year, two locations were closed.

The depreciation and amortization of property and equipment increased in the current period compared to the same period last year due to an increase in leasehold improvements and the purchase of furniture and computers during the current period.

The interest expense has significantly declined in the current period compared to the same period last year as a result of a notable decline in average borrowings utilized for funding short-term working capital needs during the current period. At January 31, 2024, the Company had $3,730,508 drawn on its lines of credit, with $46,642,543 available for use. This compares to $24,072,046 drawn on January 31, 2023, and $27,430,979 available. The average outstanding borrowings by the Company amounted to $5,541,792 during the three-month period ended January 31, 2024, compared to $20,113,385 during the same period last year, which led to the significant reduction in interest expense. The average interest rate on borrowings was 8.6% for the current period versus 6.6% for the same period last year. Refer to Liquidity and Capital Resources section below.

Interest revenue for the period was primarily interest earned on interest bearing bank accounts in the normal course of business. The prior period included amounts received from the IRS relating to an expected refund for an Employee Retention Credit (ERC).

The Company recorded an income tax expense that amounted to $416,794 in the three-month period ended January 31, 2024, in comparison to an income tax recovery of $2,414 in the prior period. The expense amount for the current period is primarily related to taxable income in the U.S. subject to certain temporary and permanent adjustments to taxable income.

Cash Flows

Cash flows from operating activities during the three-month period ended January 31, 2024, resulted in an inflow of $24,366,711 compared to an outflow of $8,324,077 during the three-month period January 31, 2023. The accounts receivable and accounts payable balances fluctuate from period to period due to the volume of activity and timing of transaction settlements. In most instances, accounts receivable and accounts payable have a settlement cycle of 24 to 48 hours. Excluding changes in working capital, operating cash flow generated by commission and fee income and adjusted for operating expenses, was an inflow of $2,409,673 for the three-month period ended January 31, 2024, versus an inflow of $3,153,364 in the prior year's comparative period.

Cash flows from investing activities during the three-month period ended January 31, 2024, resulted in an outflow of $280,542 compared to an outflow of $223,875 during the three-month period ended January 31, 2023. Cash outflows from investing activities are mainly related to the continuous improvement of company-owned retail locations and capitalized software.

Cash flows from financing activities during the three-month period ended January 31, 2024, resulted in an outflow of $11,645,300 compared to an inflow of $17,571,489 during the year ended January 31, 2023. This was primarily the result of the Company's repayment of one of its lines of credit during the three-month period ended January 31, 2024. The Company's outstanding balance of lines of credit amounted to $3,730,508 at January 31, 2024 compared to $24,072,046 on January 31, 2023.

Liquidity and Capital Resources

On January 31, 2024, the Company had net working capital of $71,965,589 compared to $70,146,433 at October 31, 2023.

The Company maintains 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 provide an accordion feature for up to an additional $10,000,000 with the lender's approval. The Amended and Restated Credit Agreement provides a term of two years (maturity date on June 15, 2024). The Amended and Restated Credit Agreement was updated on July 18, 2022, in the form of a Second Amended and Restated Credit Agreement, to reflect the exercised accordion feature, which increased the line of credit to $40,000,000, and a reduced margin spread in the borrowing rate by 25 bps. The form of Second Amended and Restated Credit Agreement was further amended on July 12, 2023, to provide a seasonal increase in the borrowing capacity by $10,000,000 to $50,000,000, effective through August 31, 2023, and to extend the maturity on the facility to June 15, 2025. The credit line is secured against the Company's cash and other assets. The form of Second Amended and Restated Credit Agreement, as further amended on July 12, 2023, bears interest at the one month Secured Overnight Financing Rate (SOFR) plus 2.25% (5.35% at January 31, 2024 and 5.31% at October 31, 2023). At January 31, 2024, the balance outstanding was $Nil (October 31, 2023, $11,074,308).

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 ($1,492,203), payable on demand, and being secured against cash collateral of CAD 2,000,000 ($1,492,203). On April 25, 2023, EBC amended this facility reducing the revolving line of credit to CAD 500,000 ($373,051), payable on demand, and being secured against cash collateral of CAD 500,041 ($373,081). The line of credit bears interest at the Canadian Prime Rate and plus 0.25% (7.20% at January 31, 2024 and 7.20% at October 31, 2023). At January 31, 2024, the balance outstanding was $Nil (October 31, 2023, $Nil)

On April 7, 2021, EBC entered into a $20,000,000 USD Revolving Credit Facility (RCF) with a private lender. On July 18, 2022, EBC amended this facility through an Amended and Restated Revolving Loan Agreement, whereby $10,000,000 of this facility was moved from EBC to CXI. On January 19, 2023, the Company entered into a 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 the 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 a 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

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

$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, 2024, was $3,730,508 (October 31, 2023, $3,605,683).

The Company had available unused lines of credit amounting to $46,642,543 at January 31, 2024 (October 31, 2023, $35,680,577).

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 Notes 7 and 9 to the condensed interim consolidated financial statements).

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

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

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of lease with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Corporate offices	8	0-5 years	2	4	-	-	-
Retail store locations	22	0-5 years	2	-	-	-	-
Total	30	0-5 years	2	4	-	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at January 31, 2024, were as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Lease payments	1,619,604	729,472	541,976	378,833	282,637	-	**3,552,522**
Finance charges	126,486	76,423	46,014	24,570	6,423	-	**279,916**
Net present values	**1,493,118**	**653,049**	**495,962**	**354,263**	**276,214**	**-**	**3,272,606**

Selected Annual Financial Information

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

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

The selected financial information set out below has been derived from the audited consolidated financial statements of the Company.

	Year ended October 31, 2023	Year ended October 31, 2022	Year ended October 31, 2021	Year ended October 31, 2020	Year ended October 31, 2019
	$	$	$	$	$
Revenues	81,954,769	67,498,673	30,565,660	25,013,423	41,784,043
Net operating income	18,734,249	18,721,473	(48,929)	(3,985,791)	6,152,042
Net income (losses)	10,193,507	11,783,124	(1,131,684)	(8,524,029)	2,924,720
Basic earnings per share	1.59	1.83	(0.18)	(1.33)	0.46
Diluted earnings per share	1.52	1.78	(0.18)	(1.33)	0.46
Total assets	132,049,444	125,528,832	102,982,531	85,758,518	82,729,716
Total liabilities	52,816,463	56,223,323	44,966,732	27,528,783	16,400,679
Non-current financial liabilities	2,719,288	4,163,543	3,679,493	4,065,164	-
Working capital	70,146,433	60,378,879	49,880,879	47,755,694	58,932,941

Off-Balance Sheet Arrangements

There are currently no off-balance sheet arrangements.

Foreign Currency Forward and Option Contracts

The Company enters into foreign currency forward and purchases put option contracts with non-client counterparties to mitigate the risk of fluctuations in the exchange rates of exposures in certain major currencies related to its Banknotes product line. Forward contracts are entered into daily, with maturities up to 30 days. Option contracts are entered into selectively once per quarter, with a maturity up to 90 days.

Foreign currency forward and option contracts are recognized in the Company's consolidated statements of financial position when the Company becomes a party to the contractual provisions of the instrument. The instrument is derecognized from the condensed interim consolidated statements of financial position when the contractual rights or obligations expires or are extinguished.

These non-client counterparty foreign currency forward and option contracts, as referred to above, are recognized at fair value and changes in fair value are included in operating expenses in the condensed interim consolidated statements of income and comprehensive income and are recorded as either contract assets or contract liabilities at the end of the reporting period.

The fair value of forward and option contract assets, which represents the amount that would be received by the Company if the contracts were terminated at January 31, 2024, was $1,052,352 (October 31, 2023, $1,066,467).

As at January 31, 2024 the Company had cash collateral balances that include daily margin requirements related to forward contracts being held of $559,896 (October 31, 2023, $3,119,888). They are reflected as restricted cash held in escrow in the condensed interim consolidated statements of financial position.

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

Critical Accounting Estimates

When preparing the condensed interim consolidated financial statements, management undertakes several 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 audited consolidated financial statements for the years ended October 31, 2023 and 2022.

Transactions with Related Parties

The remuneration of directors and key management personnel during the three-month periods ended January 31, 2024 and 2023 were as follows:

	Three-month period ended January 31, 2024	Three-month period ended January 31, 2023
	$	$
Short-term benefits	1,383,664	1,098,842
Post-employment benefits	58,443	45,427
Stock-based compensation	117,668	21,124
Restricted and Deferred Share Units	561,747	646,142
Total	**2,121,522**	**1,811,535**

The Company incurred legal and professional fees in the aggregate of $37,201 for the three-month period ended January 31, 2024 (January 31, 2023, $42,049) charged by entities controlled by directors or officers of the Company.

The Company has clients that are considered related parties through one of its directors. The Company generated $49,912 in revenue from these clients' activities for the three-month period ended January 31, 2024 (January 31, 2023, $58,502). As at January 31, 2024, accounts receivable included $Nil from related parties (January 31, 2023, $65,800).

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

The Company supports EBC through a $20,000,000 revolving Line of Credit, renewed on July 18, 2022, which attracts interest commensurate with interest charged on the Company's primary line of credit with BMO Harris N.A., are repayable on demand, and are unsecured. At January 31, 2024, the intercompany loan balance was $13,810,584 (October 31, 2023, $10,642,528) 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-month periods ended January 31, 2024 and 2023, 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 most recently March 23, 2023. The Plan is a rolling stock option plan, under which 15% of the outstanding shares at any given time are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Company by facilitating the efforts of the Company to attract and retain directors, senior officers, employees, and management. Under the terms of the Plan, vesting for the Company's directors and 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. All the options have a five-year term, unless otherwise specified by the Board of Directors. During the three-month period ended January 31, 2024, the Company recognized $119,878 of stock-based compensation expense in relation to employees' stock option awards that have vested during the period (January 31, 2023, $31,013).

The following table sets out the information related to each option grant that has not expired and, or 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	23-Oct-24	17.03	30,000	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	170,540	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	239,922	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	4.45
31-Oct-22	31-Oct-27	19.35	117,459	3.73%	37%	18.37	4.34
30-Oct-23	29-Oct-28	18.20	94,678	4.37%	36%	20.07	4.70

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

The outstanding options at January 31, 2024, and the respective changes during the period are summarized as follows:

	Number of options	Weighted average price
	#	CDN$
Outstanding at October 31, 2023	**857,484**	**15.53**
Granted	-	-
Exercised	(28,244)	14.52
Forfeited/cancelled/expired	(648)	14.35
Outstanding at January 31, 2024	**828,592**	**15.57**

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

The following options were outstanding and exercisable at January 31, 2024:

Grant Date	Exercise price (CAD$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
4-Mar-19	$25.83	13,316	0.09	13,316
23-Oct-19	$17.36	30,000	0.73	30,000
23-Oct-19	$17.36	166,642	0.73	166,642
24-Jun-20	$12.74	25,880	1.40	25,880
29-Jul-20	$10.83	18,000	1.49	18,000
29-Oct-20	$10.83	210,951	1.75	210,951
28-Jan-21	$11.02	3,873	1.99	3,873
28-Oct-21	$14.35	117,552	2.74	78,371
28-Apr-22	$18.10	20,000	3.24	6,668
25-Jul-22	$16.23	4,493	3.48	1,498
21-Sep-22	$18.93	5,748	3.64	1,917
31-Oct-22	$18.37	117,459	3.75	39,157
30-Oct-23	$20.07	94,678	4.75	-
Total		**828,592**		**596,273**

Out of the total number of outstanding options, the Company had 112,930 options outstanding and granted on October 23, 2019 that were made outside of the Company's stock option plan, and in accordance with the policies of the TSX and were approved by the shareholders on March 25, 2020.

Restricted Stock Unit and Deferred Stock Unit Plans

On November 1, 2020 the Company made its inaugural cash-settled grants under the DSU Plan and RSU Plan (the Plans). The awards that may be granted under each of the Plans can be realized in cash only and may not be converted into common shares of the Company. The purpose of these Plans is to promote the profitability and growth of the Company by facilitating the efforts of the Company to attract and retain directors, senior officers, employees, and management. Under the terms of the Plans, vesting of the awards that may be granted under the Plans for management occurs on a one-third (1/3) basis upon the first, the second, and the third anniversary of the grant date, while awards that may be granted under the Plans for directors will vest fully on a quarterly basis in the first year after the grant. All the awards have a three-year term unless otherwise specified by the Board of Directors. On October 30, 2023, the Board of Directors of the Company resolved that only those directors who have not met their ownership requirements must receive a portion of their base retainer in the form of DSU awards.

On November 1, 2023, the Company made an annual DSU award under the Deferred Share Unit (DSU) Plan. The Company granted 10,169 DSU awards in the amount of $145,000. In the three-month period ended January 31, 2024, the Company recognized stock-based compensation expenses of $561,747 (January 31, 2023, $646,142) in relation to RSU and DSU awards that have vested during the period, out of which $227,816 was recognized for RSU awards and $333,931 was recognized for DSU awards, (January 31, 2023, $255,145 and $390,997, for RSU and DSU awards, respectively).

Share Capital

As of January 31, 2024, the Company had 6,450,894 common shares outstanding, 596,273 vested, and 232,319 unvested stock options, and no warrants outstanding.

Subsequent Events

The Company evaluated subsequent events through March 13, 2024, 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, 2024.

Financial Risk Factors

International Conflict

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

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

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

Network Security Risks

Despite the implementation of network security measures by the Company, its infrastructure is potentially vulnerable to computer intrusions and similar disruptive problems. Concerns over Internet security have been, and will continue to be, a barrier to commercial activities requiring consumers and businesses to send confidential information over the Internet. Computer viruses, intrusions or other security problems could lead to misappropriation of confidential or proprietary information, and cause interruptions, delays or cessation in service to the Company's customers. Any such intrusion could have a negative reputational impact on the Company which could affect its revenues and ability to raise capital. Any such intrusion could also compromise the privacy of the Company's proprietary CXIFX software which is integral to its business. In such a case, the Company 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 the United States, 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.

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

Outbreak of Infectious Diseases

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

Credit Risk

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

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

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

A breakdown of accounts receivable by category is below:

	As of January 31, 2024	As of October 31, 2023
Customer type	$	$
Domestic and international financial institutions	8,470,099	18,339,600
Money-service businesses	2,140,837	2,171,215
Other	753,187	614,731
Total	**11,364,123**	**21,125,546**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the condensed interim consolidated statements 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; and
- Level 3 - unobservable inputs for the asset or liability.

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

There were no transfers between Level 1 and Level 2 during the three-month period ended January 31, 2024.

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

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

January 31, 2024	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash	105,817,863	-	-	105,817,863
Forward and option contract assets	-	1,052,352	-	1,052,352
Total assets	**105,817,863**	**1,052,352**	**-**	**106,870,215**
Financial liabilities				
Restricted and deferred share units	-	1,842,155	-	1,842,155
Total liabilities	**-**	**1,842,155**	**-**	**1,842,155**

October 31, 2023	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash	92,720,293	-	-	92,720,293
Forward and option contract assets	-	1,066,467	-	1,066,467
Total assets	**92,720,293**	**1,066,467**	**-**	**93,786,760**
Financial liabilities				
Restricted and deferred share units	-	1,328,582	-	1,328,582
Total liabilities	**-**	**1,328,582**	**-**	**1,328,582**

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 a 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. Foreign currency exposure, in the form of exchange gains and losses arising from normal trading activities and business operations, are included in operating expenses for the period.

In order to further 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, on consignment, and in transit on January 31, 2024, was $9,859,350 (October 31, 2023, $9,361,900). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar on January 31, 2024 was $8,280,058 (October 31, 2023, $7,833,228). 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 +$166,000/-$166,000 (October 31, 2023 gain/loss of approximately +$157,000/-$157,000).

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, 2024, 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 bank notes in tills, on consignment, and in its own vaults. These amounts are not subject to interest rate risk. Cash held in some of the Company's bank 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, as borrowings have remained steady and within policy limits, the risk is low. Borrowings bear interest at variable rates. Currently, the interest rate exposure is unhedged.

If interest rates had been 50 basis points higher/lower with all other variables held constant, after-tax profit for the three-month period ended January 31, 2024 would have been approximately +$5,000/-$5,000 higher/lower as a result of credit lines held at variable interest rates.

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 $5,000,000 notional daily. As required, the Treasurer and CFO report any liquidity issues to the Chief Executive Officer (CEO), 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, 2024 and determined that it is sufficient to meet its financial obligations.

The following are non-derivative contractual financial liabilities:

January 31, 2024

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	27,988,849	27,988,849	27,988,849	Nil
Holding accounts	9,638,818	9,638,818	9,638,818	Nil
Lines of credit	3,730,508	3,730,508	3,730,508	Nil

October 31, 2023

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	21,021,910	21,021,910	21,021,910	Nil
Holding accounts	5,909,235	5,909,235	5,909,235	Nil
Lines of credit	14,679,991	14,679,991	14,679,991	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.

	January 31, 2024	October 31, 2023
	$	$
Current assets	121,601,646	120,243,608
Current liabilities	(49,636,057)	(50,097,175)
Working capital	**71,965,589**	**70,146,433**

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, repurchasing shares, or disposing of assets. The capital structure is reviewed by management and the board of directors on an ongoing basis.