Currency Exchange International, Corp.

Management's Discussion and Analysis

For the Years and Three-Month Periods Ended October 31, 2023 and 2022

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

Scope of Analysis

This Management Discussion and Analysis (MD&A) covers the results of operations and the financial condition of Currency Exchange International, Corp. (CXI or the Company) and its subsidiaries for the years and three-month periods ended October 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 January 24, 2024 and should be read in conjunction with the audited consolidated financial statements of the Company for the years ended October 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 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 audited consolidated financial statements and the MD&A have been reviewed by the Company's audit committee and approved by its board of directors.

In this document "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 22. 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 October 31, 2023, the Company had 409 employees, 102 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 40 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 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 October 31, 2023, the Company had inventory on consignment in 654 locations, primarily located inside financial institutions across the United States and Canada. To encourage inventory turnover, the Company offers commission as a percentage on volumes generated by these locations. The table below lists the number of wholesale customer relationships and total number of unique active locations that transacted during each of the previous five fiscal years.

	FY 2019	FY 2020	FY 2021	FY 2022	**FY 2023**
Wholesale customer relationships	1,878	1,667	2,481	2,586	2,658
Number of transacting locations	21,595	14,787	15,202	22,170	22,551

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.

As of October 31, 2023, the Company had 38 company-owned branch locations across the United States (37 locations as of October 31, 2022). During the current fiscal year, the Company has opened the Mills at Jersey Gardens in Elizabeth, New Jersey in December 2022, the King of Prussia Mall in Pennsylvania in July 2023, and most recently the first company-owned airport branch at the Orlando International Airport (MCO) in August 2023. This newest airport location marks CXI's groundbreaking steps to expand its foreign currency exchange services to airports across the United States. During the fiscal year, the Company also closed the Apple Bank – Union Square location in New York in May 2023 and the Berkeley at Mechanics Bank in August 2023.

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The table below lists the individual company-owned branch locations operating in the United States as of October 31, 2023:

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 and Raleigh-Durham. CXI also has an agency relationship with Duty Free Americas for 29 locations at the busiest ports of entry across the border between the United States and Canada. This adds to the Company's prolific agent relationship with the American Automobile Association, which includes more than 200 locations across 17 States and the District of Columbia.

CXI launched its proprietary OnlineFX platform in 2020 to enable it to reach American consumers outside of its branch and agent network. The platform allows consumers to purchase foreign currency banknotes easily and securely, prior to their international travel. The platform enables consumers to buy more than 90 foreign currencies with direct shipment to their homes or for pick up at one of the Company's branches across the United States. OnlineFX is a core strategic initiative as 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 October 31, 2023 and over 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	45
Non-airport agent locations	38	47	62	161	235
States in which OnlineFX operates	-	22	31	38	40

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.

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

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

Selected Financial Data

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

Three-months ended	Revenue	Net operating income	Net income	Total assets	Total equity	Earnings per share (diluted)
	$	$	$	$	$	$
10/31/2023	22,786,072	5,818,667	2,303,822	132,049,444	79,232,981	0.34
7/31/2023	23,363,600	6,437,153	4,055,276	129,643,409	77,590,126	0.60
4/30/2023	18,345,342	3,743,075	2,243,714	134,697,253	73,104,851	0.33
1/31/2023	16,468,402	2,734,159	1,589,499	133,072,968	71,448,732	0.24
10/31/2022	19,800,463	5,401,678	4,383,876	125,528,832	69,305,509	0.66
7/31/2022	21,145,189	7,321,521	4,585,808	155,757,016	65,598,381	0.70
4/30/2022	14,071,953	2,888,757	1,308,445	150,804,096	60,821,752	0.19
1/31/2022	12,450,282	3,111,368	1,504,999	129,297,226	59,332,997	0.23

While seasonality is generally not a consideration for the Payments product line, seasonality for the Banknotes product line is reflected 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. 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.

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The Company has refined the strategy since it was first developed and monitors its execution against key performance indicators. The diversification strategy has been a significant factor in the Company's resilience and return to profitability. Geopolitical and macroeconomic factors also influence consumer demand for travel.

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

	Three-months ended October 31, 2023	Three-months ended October 31, 2022	Change	Change
	$	$	$	%
Revenue	22,786,072	19,817,284	2,968,788	15%
Operating expenses	16,967,405	14,415,675	2,551,730	18%
Net operating income	**5,818,667**	**5,401,609**	**417,058**	**8%**
Other income , net	124,699	44,059	80,640	>100%
EBITDA*	**5,943,366**	**5,445,668**	**497,698**	**9%**
Net earnings	**2,303,822**	**4,383,878**	**(2,080,056)**	**-47%**
Basic earnings per share	0.36	0.68	(0.32)	-47%
Diluted earnings per share	0.34	0.65	(0.31)	-48%

*Earnings before interest, taxes, depreciation and amortization

The Company generated revenue of $22,786,072 for the three-month period ended October 31, 2023, a 15% increase from the same period last year. The last year saw a significant emergence from the travel restrictions related to the COVID-19 virus. Since travel restrictions progressively eased over the course of 2022, there has been a sustained progressive improvement in the demand for international travel between North America and Europe, the Caribbean and certain Central American destinations. Generally, South American and Asian currencies have shown steady demand compared to last year, while there was a notable increase related to certain exotic foreign currencies which has contributed to an increased volume over the same period last year. The revenue increase over the comparable period in the prior year also reflects the acquisition of new customers in both the Banknotes and Payments product lines, while trade with foreign financial institutions by Exchange Bank of Canada declined due to a decline in demand for USD volumes compared to the same time last year. Compared to the three-month period ended July 31, 2023, revenue decreased $577,528 or 2%, as demand for foreign currency slightly decreased which is consistent with the seasonality associated with the Company's operations. The top five currencies by revenue for the three-month period ended October 31, 2023 were the US Dollar (USD), Euro (EUR), Canadian Dollar (CAD), Mexican Peso (MXN), and British Pound Sterling (GBP).

The 15% growth in revenues for the three-month period ended October 31, 2023 from last year amounted to $2,968,788 and was primarily due to the growth in the retail market by $2,486,328. Revenue in the United States increased by $4,059,506, or 28% over the same period last year, while in Canada it declined by $1,090,718, or 21%. Corresponding with the revenue growth, operating expenses increased by $2,551,730, or 18%, primarily attributable to an increase in salaries and benefits in addition to certain amounts of operational losses that were incurred in the current period, as discussed further below. The Company recorded net operating income of $5,818,667 in the three-month period ended October 31, 2023, 8% higher than the same period in the prior year. Overall, the growth in revenues surpassed the increase in operating expenses and the Company generated $2,303,822 in net income during the three-month period ended October 31, 2023, $2,080,056, or 47% lower than the same period last year, primarily attributed to the Canadian region as discussed below.

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

i. Continued its growth in the International Payments product line in both Canada and the U.S. EBC initiated trades with 63 new corporate clients, representing an active trading client base of 761 during the same period. The Company processed 34,467 payment transactions, representing $3.189 billion in volume in the three-month period ended October 31, 2023. This compares to 28,845 transactions on $3.190 billion of volume in the three-month period ending October 31, 2022;

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ii. Increased its penetration of the financial institution sector in the United States with the addition of 126 new clients, representing 177 transaction locations;

iii. Continued its growth in the direct-to-consumer banknotes market with the addition of 45 new non-airport locations during the three-months ended October 31, 2023, and the addition of its latest company-owned branch at Orlando International Airport which opened in August 2023; and

iv. Added the State of Ohio, making it the 40^{th} State in which the Company provides its services through its OnlineFX platform.

The Company's capital base has grown to $80 million. The Company's credit facility, with its primary lender, increased to $40 million from $20 million during the prior year, and this further strengthens the Company's liquidity position to support its strategic plan. During the three-month period ended July 31, 2023, the Company received an additional $10 million accordion with its primary lender, effective through August 31, as a contingency to accommodate a seasonal increase in banknote volumes during the peak summer season. Refer to the Liquidity and Capital Resources section. The combination of a growing capital base and debt capacity provide sufficient liquidity to the Company to continue to meet its financial obligations. CXI is well-positioned to support its strategic initiatives that include the organic and inorganic acquisition of new clients in both the Banknotes and Payments product lines.

	October 31, 2023	October 31, 2022
	$	$
Total assets	132,049,444	125,528,832
Total long-term financial liabilities	2,719,288	4,163,543
Total equity	79,232,981	69,305,509

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

Revenues by Product Line

	Three-months ended October 31, 2023	Three-months ended October 31, 2022	Change	Change
	$	$	$	%
Banknotes	19,192,642	16,375,179	2,817,463	17%
Payments	3,593,430	3,442,105	151,325	4%
Total	**22,786,072**	**19,817,284**	**2,968,788**	**15%**

Revenues by Geography

	Three-months ended October 31, 2023	Three-months ended October 31, 2022	Change	Change
	$	$	$	%
United States	18,745,521	14,686,015	4,059,506	28%
Canada	4,040,551	5,131,269	(1,090,718)	-21%
Total	**22,786,072**	**19,817,284**	**2,968,788**	**15%**

Revenues in the Banknotes product line increased by 17% in the three-months period ended October 31, 2023, from the same period in 2022. The growth is attributable to two main drivers. Firstly, consumer demand for foreign currencies has significantly improved as restrictions on international travel have substantially eased over the past year. Between August and October 2023, approximately 220 million travelers passed through TSA check points in United States airports, approximately 104% of pre-pandemic levels, this is an increase of 11% from the same time last year. Secondly, the Company was successful at increasing its market share, as indicated by the increase in new wholesale clients and developing its direct-to-consumer footprint through new locations, including agents and its OnlineFX platform. Relative to the three-month period ended July 31, 2023, Banknotes revenue decreased by $337,134 or 2%, which coincides with the typical seasonal reduction in tourism in North America as demand for foreign currencies decline with the school year's commencement. Relative to the most comparable period prior to the pandemic, the three-months ended October 31, 2019, Banknotes revenue has increased by 78%, reflecting the impact of increased market penetration and expansion of international trade.

Revenues in the Payments product line increased by 4% in the three-month period ended October 31, 2023, compared to the same period in 2022. This demonstrates the Company's success in acquiring new client relationships. The Company processed 34,467 payment transactions, representing $3.189 billion in volume in the three-month period ended October 31, 2023. This compares to 28,845 transactions on $3.190 billion of volume in the same period in 2022. Payments represented a 16% share of revenue in the current three-month period, consistent with the same period in 2022.

Revenues in the United States grew by 28% during the three-months period ended October 31, 2023 when compared to the same period in 2022, led primarily by $2,486,328, or 49%, growth in retail banknotes and $966,979, or 12%, in wholesale banknotes, with the remainder amount of $606,199, or 38%, reflecting growth in the Payments product line. In Canada, revenues declined by 21% from the same period last year primarily due to decline in international demand for US Dollar volumes following the banking crisis that unfolded early in 2023. Accordingly, revenues in the Banknotes product line declined by $635,843, or 19%, with the remainder of the decline was in the Payments product line of $454,875, or 24%, compared to the same period in the prior year.

During the three-month period ended October 31, 2023, operating expenses increased 18% compared to the same period last year. The 18% increase is slightly higher than the 15% growth in revenues and that was due to certain non-recurring operational losses incurred during the current period, to which the Company responded by reviewing its procedures around certain operational areas and strengthened controls to improve effectiveness of its operating environment. Further, variable costs within operating expenses, represented mostly by postage and shipping as well as sales commissions, incentive compensation and bank fees increased 10% to $5,642,758 compared to $5,132,219 in the three-month period ended October 31, 2022, largely due to the increase in the number of transactions. The ratio of total operating expenses to total revenue for the three-month period ended October 31, 2023 was 74% compared to 73% for the three-month period ended October 31, 2022. The major components of operating expenses are presented in the table below, with commentary on some of the significant variances.

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

	Three-months ended October 31, 2023	Three-months ended October 31, 2022	Change	Change
	$	$	$	%
Salaries and benefits	9,304,785	7,475,094	1,829,691	24%
Postage and shipping	2,820,228	2,792,016	28,212	1%
Losses and shortages	1,506,621	209,037	1,297,584	>100%
Legal and professional	949,052	1,057,052	(108,000)	-10%
Information technology	826,245	653,506	172,739	26%
Bank service charges	646,391	640,854	5,537	1%
Rent	454,219	303,355	150,864	50%
Insurance, taxes and licensing	294,567	284,739	9,828	3%
Travel and entertainment	197,131	218,296	(21,165)	-10%
Foreign exchange losses	6,665	248,369	(241,704)	-97%
Stock based compensation	(380,146)	258,090	(638,236)	>(100%)
Other general and administrative	341,647	275,267	66,380	24%
Operating expenses	**16,967,405**	**14,415,675**	**2,551,730**	**18%**

Salaries and benefits increased when compared to the prior year, mostly driven by incremental growth in headcount, which increased to 409 in the year ended October 31, 2023, from 344 in the same period last year, in addition to a partial increase in cost driven by inflation in base salaries and wages.

Postage and shipping had a 1% increase when compared to the same period last year despite the 17% growth in Banknotes product line which reflects the Company's implementation of price increases that were adopted during the current year to compensate for the higher shipping costs levied, these strategies proved to be successful in absorbing some of the large shipping costs increases incurred by the Company and the remedial actions resulted in containing cost drivers that the Company saw last year and resulted in the significant shipping cost incurred during the same period last year.

Losses and shortages increased from the same period last year mostly due to non-recurring losses associated with stale-dated items and higher costs related to lost shipments. The Company has strengthened certain procedures within its control environment that aim at improving operational control effectiveness.

Legal and professional costs showed a relative reduction when compared to last year, while the Company continued to benefit from outsourced professional services, the trend during the current period showed a reduction as the same period last year showed a significant amount of services incurred during the implementation of the new accounting system that went live in May 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 increased reliance on third-party technology service providers to deliver its products, including accounting and treasury management systems, in addition to the continuous improvement to its proprietary CXIFX software, the Company's proprietary system and other technology related costs that the Company incurs in the normal course of business.

Rent expenses increased due to the expansion in branches in which the Company operates its retail business. The current period reflects two new locations that were opened during the year in addition to certain increases resulting from rent agreements renewed at higher prices.

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

Foreign exchange losses include the revaluation of outstanding foreign currency balances to market value, together with the net gain or loss from foreign currency forward and option contracts used to offset the revaluation of foreign currency exposures.

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 decrease in the current period relative to the same time last year is due to the significant decline in the revaluation of the financial liability of the DSU and RSU awards as the market value of the stock price between the July 31, 2023 and October 31, 2023 declined resulting in a recovery of the amortization. This recovery offsets most of the expense incurred in the second and third quarter of the year when the market value of the stock price appreciated.

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

Other income and expenses are comprised of the following:

	Three-months ended October 31, 2023	Three-months ended October 31, 2022
	$	$
Interest expense	(173,401)	(324,529)
Interest on lease liabilities	(38,087)	(61,347)
Depreciation and amortization	(398,478)	(345,642)
Depreciation of right-of-use-assets	(456,562)	(515,520)
Interest revenue	96,666	45,294
Other income (loss)	26,889	(1,235)
Gain on sale of assets	1,144	-
Income tax (expense) benefit	(2,573,017)	185,246
Total other expenses	**(3,514,846)**	**(1,017,733)**

The interest expense has declined in the current period compared to the same period last year and that was primarily related to a decrease in borrowings utilized to fund short-term working capital needs and foreign currency inventory, despite an increase in banknote volumes. At October 31, 2023, the Company had $14,679,991 drawn on its lines of credit, with $35,680,577 available for use. This compares to $5,929,847 drawn on October 31, 2022, and $55,538,042 available. However, there was overall decline in interest expense due the fact that the average outstanding borrowings by the Company for the three-month period ended October 31, 2023 was $6,894,606, versus $21,124,843 for the three-month period ended October 31, 2022, notwithstanding a higher average interest rate on borrowings of 8.6% versus 5.2% during the same period last year. Refer to Liquidity and Capital Resources on page 16.

The decline in the right-of-use (ROU) assets depreciation is primarily driven by the change in the ROU branch locations opened and closed during the current period compared to the prior period, the Company had one less location that qualifies for IFRS 16 in the current period compared to the prior period.

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

The Company recorded an income tax expense amount of $2,573,017 in the three-month period ended October 31, 2023, in comparison to an income tax benefit of $185,246 in the prior period. The benefit in the prior period was due to EBC's recognition of certain tax benefit related to periods prior to the three-month period ended October 31, 2022 which reduced income tax expense at the end of the prior period.

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

The following is a summary of the results of operations for the year ended October 31, 2023 and 2022:

	Year ended October 31, 2023	Year ended October 31, 2022	Change	Change
	$	$	$	%
Revenue	81,954,769	67,498,673	14,456,096	21%
Operating expenses	63,220,520	48,777,200	14,443,320	30%
Net operating income	**18,734,249**	**18,721,473**	**12,776**	**-**
Other income	494,368	111,684	382,684	>100%
Other expenses	(30,527)	(1,814)	(28,713)	>100%
EBITDA*	**19,198,090**	**18,831,343**	**366,747**	**2%**
Net earnings	**10,193,507**	**11,783,124**	**(1,589,617)**	**-13%**
Basic earnings per share	1.59	1.83	(0.24)	-13%
Diluted earnings per share	1.52	1.78	(0.26)	-15%

*Earnings before interest, taxes, depreciation, and amortization

Revenue increased $14,456,096 and 21% from last year. Last year saw a significant emergence from the travel restrictions related to the COVID-19 virus. The first half of the prior year was largely impacted by the Omicron variant of the COVID-19 virus. Since travel restrictions progressively eased over the course of 2022, there has been a sustained steady increase in demand for international travel between North America and Europe, the Caribbean and certain Central American destinations such as Costa Rica. Some South American and Asian currencies have been slow to recover, however, with Japan relaxing its travel restrictions on foreign nationals in early 2023, these markets have seen increased travel demand in 2023, in addition, certain exotic foreign currencies also showed increased volume from the same period last year.

The 21% growth in revenues for the year was primarily driven by the Banknotes product line which grew by $12,602,328, or 23% with the rest of the growth resulting from the Payments product line as discussed below in detail. The Company recorded net operating income of $18,734,249 in the year ended October 31, 2023, slightly higher than the prior year. The growth in revenues was accompanied by a corresponding increase in operating expenses, as the Company's variable expenses increased in addition to investments made in certain strategic initiatives and software infrastructure that aim to sustain the long-term growth objectives of the Company's strategic plan, in addition to the increase in headcount as the Company continues to invest in its people, as result of the revenue growth during the current year. The Company generated $10,193,507 in net income during the year ended October 31, 2023, lower than the prior year by $1,589,617 or 13%.

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

The following shows a breakdown of revenues by geographic location and product line for the years ended October 31, 2023 and 2022:

Revenues by Product Line

	Year ended October 31, 2023	Year ended October 31, 2022	Change	Change
	$	$	$	%
Banknotes	67,624,421	55,022,093	12,602,328	23%
Payments	14,330,348	12,476,580	1,853,768	15%
Total	**81,954,769**	**67,498,673**	**14,456,096**	**21%**

Revenues by Geography

	Year ended October 31, 2023	Year ended October 31, 2022	Change	Change
	$	$	$	%
United States	64,531,245	50,184,406	14,346,839	29%
Canada	17,423,524	17,314,267	109,257	1%
Total	**81,954,769**	**67,498,673**	**14,456,096**	**21%**

Revenues in the Banknotes product line increased by 23%, or $12,602,328 in the year ended October 31, 2023. This demonstrates the Company's success at increasing its market share, as indicated by the increase in new wholesale clients and developing its direct-to-consumer footprint through new locations in the United States, including agents and its OnlineFX platform. The Company further continued its penetration into the global banknote trade, partially driven by EBC's participation in the Foreign Bank International Cash Services (FBICS) program. Revenues from the Payments product line increased by $1,853,768, or 15% in the year ended October 31, 2023. This demonstrates the Company's success in focusing on the growth of Payments product line through key client relationships in both the United States and Canada. The diversification strategy has been a significant factor in the Company's resilience.

Revenues in the United States grew by $14,346,839, or 29%, during the year ended October 31, 2023 when compared to the same period in 2022, led primarily by $6,861,966, or 31%, growth in wholesale banknotes, and $6,070,621, or 28%, in direct-to-consumer banknotes, with the remainder amount of $1,414,252, or 22%, reflecting growth in the Payments product line. In Canada, revenues grew by $109,257, or 1%, during the year ended October 31, 2023, driven by the steady growth in the Payments product line which contributed $439,517, or 7%, while the Banknotes product line in Canada showed slower activity compared to the same time last year and had a decline of $330,260, or 3% compared to the year ended October 31, 2022. This decline is partially attributed to the US Dollar appreciation relative to certain foreign currencies that curtailed exchange patterns seen in the prior year and the decline in international demand for US Dollar volumes following the banking crisis that unfolded early in 2023. For the current year, Canada's domestic growth driven by the ongoing recovery in international travel demand largely mitigated the decline in international volume.

During the year ended October 31, 2023, operating expenses increased 30% compared to the prior year, and is higher than the 21% growth in revenues, primarily due to the higher shipping costs earlier in the year in addition to certain operational losses incurred during the current year. Variable costs within operating expenses, including postage and shipping, sales commissions, incentive compensation and bank fees increased 28% to $21,203,278 compared to $16,568,412 for the year ended October 31, 2022, largely due to the increase in transaction volume and the higher costs associated with shipments. Shipping costs contributed to increased $3,750,021. In response to the increased cost of shipping due to inflation, CXI has implemented price increases to compensate for the higher shipping costs. These strategies were successful in absorbing some of the large shipping costs increases this year, and the Company anticipates seeing the full impact of these strategies in 2024. Other fixed operating costs incurred during the year from losses and shortages were largely offset by an increase in foreign exchange gains as outlined below. The major components of operating expenses are presented in the table below, with commentary for some of the significant variances. The ratio of total operating expenses to total revenue for the year ended October 31, 2023 was 77% compared to 72% for the year ended October 31, 2022. The major components of operating expenses are presented in the table below, with commentary on some of the significant variances.

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

	Year ended October 31, 2023	Year ended October 31, 2022	Change	Change
	$	$	$	%
Salaries and benefits	33,935,281	26,371,728	7,563,553	29%
Postage and shipping	12,137,881	8,387,860	3,750,021	45%
Losses and shortages	3,215,773	628,468	2,587,305	>100%
Legal and professional	3,204,240	2,832,135	372,105	13%
Information technology	3,009,268	2,199,775	809,493	37%
Bank service charges	2,450,353	2,171,586	278,767	13%
Rent	1,702,594	1,132,490	570,104	50%
Insurance, taxes and licensing	1,179,383	1,012,225	167,158	17%
Stock-based compensation	1,017,823	1,093,647	(75,824)	-7%
Travel and entertainment	884,357	658,896	225,461	34%
Foreign exchange (gains) losses	(711,763)	1,472,299	(2,184,062)	>(100%)
Other general and administrative	1,195,330	816,091	379,239	46%
Operating expenses	**63,220,520**	**48,777,200**	**14,443,320**	**30%**

Salaries and benefits increased when compared to the same period last year, mostly driven by the incremental growth in headcount, which increased to 409 in the period ended October 31, 2023, from 344 in the comparative period. The increase was required to manage growth in the business as the Company continued to recover from the COVID-19 pandemic during the year and to backfill some of the vacant roles that were cut as part of the Company's restructuring plans during the pandemic. Salaries were also affected by the full year impact of the broad-based salary increases in mid-2022 to maintain the Company's competitiveness in the labor market due to the inflationary environment.

Postage and shipping increased from the same period last year due to higher volumes of shipments associated with the Banknotes product line. The balance is due primarily to product mix between domestic and international banknotes, as the international banknote trade involves air freight and third-party processing fees. The Company recovers some of these costs from its customers. During the year 2023, CXI applied certain price adjustments to account for the impact of inflation and anticipates the impact from these pricing strategies be fully in effect in 2024.

Losses and shortages increased from the same period last year mostly due to non-recurring losses associated with stale-dated items and higher costs related to lost shipments. The Company has strengthened certain procedures within its control environment that aim at improving operational control effectiveness.

The increase in legal and professional fee is primarily attributable to consulting costs, which are expensed as incurred, related to the implementation of the new accounting system which accounted for $451,692 for the year ended October 31, 2023 compared to $225,489 for the year ended October 31, 2022 with the remainder related to regulatory compliance programs at EBC. Other variances to professional fees included increased legal fees, and inflationary increases on audit and tax services.

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

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

Bank service charges are comprised of fees incurred for processing wire transactions as part of the Payments product line in addition to fees incurred by the banks for banknote deposits. The yearly increase is related primarily to a combined increase in both the Payments number of transactions and Banknotes deposit fees.

Rent expenses increased during the year due to the expansion in locations in which the Company operate its retail business. The current year reflects two new locations that were opened during the year in addition to certain increases resulting from rent agreements renewed at higher prices.

Insurance, taxes and licensing increased in the current year compared to last year as a result of price increases of general liability insurance policies tied to the ongoing inflation.

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

Foreign exchange (gains) losses are primarily attributable to modest gains of a broad range of currencies against the U.S. Dollar throughout the year, whereas in the same period last year the U.S. Dollar strengthened considerably across currencies.

The increase for 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:

	Year ended October 31, 2023	Year ended October 31, 2022
	$	$
Interest expense	(1,088,161)	(1,180,026)
Depreciation of right-of-use-assets	(1,895,566)	(1,816,307)
Depreciation and amortization	(1,509,674)	(1,456,649)
Interest on lease liabilities	(179,904)	(165,804)
Interest revenue	435,903	111,684
Other income (expense)	58,465	(1,814)
Loss on sale of assets	(30,527)	-
Income tax expense	(4,331,278)	(2,429,433)
Total other expenses	**(8,540,742)**	**(6,938,349)**

The interest expense is primarily associated with borrowings to fund short-term working capital needs and foreign currency inventory to support banknote volumes. The average outstanding borrowings by the Company was $12,803,230 for the year ended October 31, 2023, versus $22,121,344 for the year ended October 31, 2022, however, the average interest rate in the current period increased to 7.62% versus 4.64% for the same period last year. Despite an increase in average interest rates compared to the same period last year, the interest expense is slightly lower due to reduction in overall borrowing. Refer to Liquidity and Capital Resources on page 16.

Depreciation of right-of-use assets increased slightly in the current year over the prior year. At October 31, 2023, the Company had one less location that qualified as a right-of-use asset, when compared to the prior year, however, new locations were financed at a higher rate during this year, resulting in a slightly higher expense.

The loss on sale of assets primarily represents the disposal of a legacy compliance platform; it has been replaced with another platform that satisfies the ongoing regulatory requirements for Exchange Bank of Canada.

Interest revenue for the period was favorably impacted by $54,255 received in December 2022 from the IRS related to an expected refund of Employee Retention Credits (ERC) from 2021. Also, the increased balances in interest bearing accounts that the Company maintains in the normal course of business, combined with the significant increase in both Canada's Prime Rate and US Funds rate further increased interest revenue.

The Company recorded an income tax expense amount of $4,331,278 in the year ended October 31, 2023, in comparison to an income tax expense of $2,429,434 in the prior period. These represented an effective tax rate of 29.82% in the current period versus 17.09% in the comparative period. The variance with the statutory tax rate this year was attributed to certain permanent differences related to stock options in the effective tax rate during the period in addition to certain R&D tax credits recognized in the United States, further, taxes paid in Canada for the purpose of offsetting certain GILTI taxes in the United States. The income tax expense for this year was higher than last year since the income tax expense in the year ended October 31, 2022 was reduced by the application of previously unrecognized non-capital losses from periods prior to 2022 in Canada.

Cash Flows

Cash flows from operating activities during the year ended October 31, 2023, resulted in an outflow of $365,575 compared to an inflow of $25,518,520 during the year ended October 31, 2022. The accounts receivable and accounts payable balances fluctuate from period to period due to the volume of activity and timing of transaction settlement. In most instances, accounts receivable and accounts payable have a settlement cycle of 24 to 48 hours. Excluding the changes in balance sheet accounts, operating cash flow, which is generated by commission and fee income and is offset by operating expenses, was $14,586,041 for the year ended October 31, 2023, versus an operating cash flow of $16,193,542 in the prior year's comparative period.

Cash flows from investing activities during the year ended on October 31, 2023, resulted in an outflow of $1,280,023 compared to an outflow of $1,291,015 during the year ended on October 31, 2022. Cash outflows from investing activities this year mainly resulted from the cost of leasehold improvements paid for new retail locations, while last year's cash outflows were primarily due to the final consideration payment on the Denarius acquisition, therefore, cash outflows from investing activity remained the same year over year.

Cash flows from financing activities during the year ended October 31, 2023, resulted in an inflow of $6,173,393 compared to an inflow of $214,147 during the year ended October 31, 2022. This was primarily the result of the Company's increase in its usage of lines of credit to $8,852,591 on October 31, 2023, compared to a balance of $2,044,955 on October 31, 2022, which the Company used to fund the Company's working capital requirements during the year.

Liquidity and Capital Resources

On October 31, 2023, the Company had net working capital of $70,146,433 compared to $60,378,879 at October 31, 2022.

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 the 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 the 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% (5.31% at October 31, 2023 and 4.12% at October 31, 2022). At October 31, 2023, the balance outstanding was $11,074,308 (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 ($1,442,273), payable on demand, and being secured against cash collateral of CAD 2,000,000 ($1,442,273). On April 25, 2023, EBC amended this facility reducing the revolving line of credit to CAD 500,000 ($360,568), payable on demand, and being secured against cash collateral of CAD 500,041 ($360,598). The line of credit bears interest at the Canadian Prime Rate plus 0.25% (7.20% at October 31, 2023 and 5.95% at October 31, 2022). At October 31, 2023, the balance outstanding was $Nil (October 31, 2022, $Nil)

On April 7, 2021, EBC entered into a $20,000,000 USD Revolving Credit Facility (RCF) with a private lender. On July 18, 2022, EBC amended this facility through a Third 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%, and 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 October 31, 2023, was $3,605,683 (October 31, 2022, $Nil).

The Company had a total available balance of unused lines of credit of $35,680,577 at October 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 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 audited 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.

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

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
Equipment	1	0 years	1	1	-	-	-
Corporate offices	9	0-5 years	1	5	-	-	-
Retail store locations	23	0-4 years	2	1	-	-	-
Total	33	0-5 years	1	7	-	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at October 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	1,677,768	673,201	394,239	223,669	169,749	23,733	**3,162,359**
Finance charges	100,010	48,900	27,721	14,365	4,591	53	**195,640**
Net present values	**1,577,758**	**624,301**	**366,518**	**209,304**	**165,158**	**23,680**	**2,966,719**

Selected Annual Financial Information

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

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

	Year ended October 31, 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 earnings (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

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

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 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 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 at October 31, 2023, was $1,066,467 (October 31, 2022, $911,443).

As at October 31, 2023 the Company had cash collateral balances that include daily margin requirements related to forward contracts being held of $3,119,888 (October 31, 2022, $2,335,298). They are reflected as restricted cash held in escrow in the consolidated statements of financial position.

Critical Accounting Estimates

When preparing the 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 and years ended October 31, 2023 and 2022 were as follows:

	Year ended October 31, 2023	Year ended October 31, 2022	**Three-months ended October 31, 2023**	Three-months ended October 31, 2022
	$	$	$	$
Short-term benefits	4,316,361	3,726,865	983,615	1,170,345
Post-employment benefits	161,385	81,682	18,923	30,384
Stock-based compensation	83,532	391,787	12,832	137,323
Restricted and Deferred Share Units	920,386	691,971	(395,187)	112,256
Total	**5,481,666**	**4,892,305**	**620,183**	**1,450,308**

The Company incurred legal and professional fees in the aggregate of $139,594 and $20,702 for the year and three-month periods ended October 31, 2023 (October 31, 2022, $179,417 and $38,878) 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 $288,128 and 47,028 in revenue from these clients' activities for the year and three-month periods ended October 31, 2023 (October 31, 2022, $188,502 and $54,256). As at October 31, 2023, accounts receivable included $Nil from related parties (October 31, 2022, $74,205).

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

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 October 31, 2023, the intercompany loan balance was $10,642,528 (October 31, 2022, $2,498,270) and was eliminated upon consolidation.

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

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

Stock Option Grants

The Company offers an incentive stock option plan (the Plan) which was established on April 28, 2011 and was amended 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 year ended October 31, 2023, the Company recognized $97,436 of stock-based compensation expense in relation to employees' stock option awards that have vested during the year ended October 31, 2023 (October 31, 2022, $401,677).

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

The following table sets out the information related to each option grant that has not expired and, or 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	170,540	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	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 October 31, 2023, and the respective changes during the periods are summarized as follows:

	Number of options	Weighted average price
	#	CDN$
Outstanding at October 31, 2022	**820,762**	**15.13**
Granted	94,678	20.07
Exercised	(54,734)	17.27
Forfeited/cancelled/expired	(3,222)	16.75
Outstanding at October 31, 2023	**857,484**	**15.53**

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

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

Grant Date	Exercise price (CAD$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
4-Mar-19	$25.83	13,316	0.34	13,316
23-Oct-19	$17.36	30,000	0.98	30,000
23-Oct-19	$17.36	3,512	0.98	3,512
23-Oct-19	$17.36	177,882	0.98	177,882
24-Jun-20	$12.74	29,955	1.65	29,955
29-Jul-20	$10.83	18,000	1.75	18,000
29-Oct-20	$10.83	220,368	2.00	220,368
28-Jan-21	$11.02	3,873	2.25	2,582
28-Oct-21	$14.35	118,200	2.99	79,019
28-Apr-22	$18.10	20,000	3.49	6,668
25-Jul-22	$16.23	4,493	3.73	1,498
21-Sep-22	$18.93	5,748	3.89	1,917
31-Oct-22	$18.37	117,459	4.00	39,157
30-Oct-23	$20.07	94,678	5.00	-
Total		**857,484**		**623,874**

Out of the total number of outstanding options, the Company had 124,170 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 TSX and were approved by the shareholders on March 25, 2020.

Restricted Stock Unit and Deferred Stock Unit Plans

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

On November 1, 2022, the Company made its third grants under the Deferred Share Unit (DSU) Plan and Restricted Stock Unit (RSU) Plan. The Company granted 37,664 RSU and 22,553 DSU awards in the amount of $300,000 and $500,995, respectively. On January 24, 2023, the Company granted 595 awards in the amount of $12,500. On October 30, 2023, the Company also made an annual grant of RSU awards in the amount of 36,505 for an amount of $517,210. In the year-ended October 31, 2023, the Company recognized stock-based compensation expenses of $920,387 (October 31, 2022, $691,970) in relation to RSU and DSU awards that have vested during the year, out of which $517,377 was recognized for RSU awards and $403,010 was recognized for DSU awards, (October 31, 2022, $353,624 and $338,346, for RSU and DSU awards, respectively).

Share Capital

As of October 31, 2023, the Company had 6,443,397 common shares outstanding, 623,874 vested, and 233,610 unvested stock options, and no warrants outstanding.

Subsequent Events

The Company evaluated subsequent events through January 24, 2024, the date this MD&A was prepared, and there were no material subsequent events that required recognition or additional disclosure in the consolidated financial statements.

Accounting Standards and Policies

A summary of significant accounting policies is described in Note 2 to the Company's audited consolidated financial statements for the years ended October 31, 2023 and 2022.

Financial Risk Factors

International Conflict

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

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

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

Network Security Risks

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

	October 31, 2023	October 31, 2022
Customer type	$	$
Domestic and international financial institutions	18,339,600	7,823,948
Money-service businesses	2,171,215	5,227,752
Other	614,731	1,221,828
Total	**21,125,546**	**14,273,528**

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the 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 years ended October 31, 2023 and 2022.

(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:

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**

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 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 October 31, 2023, was $9,361,900 (October 31, 2022, $5,520,430). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is $7,833,228 (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 +$157,000/-$157,000 (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 October 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 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 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 year ended October 31, 2023 would have been approximately +$52,000/-$52,000 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 October 31, 2023 and determined that it is sufficient to meet its financial obligations.

The following are non-derivative contractual financial liabilities:

October 31, 2023

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This 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

October 31, 2022

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

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

Capital Management

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

	October 31, 2023	October 31, 2022
	$	$
Current assets	120,243,608	112,438,659
Current liabilities	(50,097,175)	(52,059,780)
Working capital	**70,146,433**	**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.