

# Currency Exchange International, Corp.

Management's Discussion and Analysis

For the Three and Six-Month Periods Ended April 30, 2024 and 2023



# Management's Discussion and Analysis

(All amounts are expressed in U.S. Dollars unless otherwise noted)  
For the three and six-month periods ended April 30, 2024 and 2023

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## Scope of Analysis

This Management Discussion and Analysis (MD&A) covers the results of operations and the financial condition of Currency Exchange International, Corp. (CXI or the Company) and its subsidiaries for the three and six-month periods ended April 30, 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 June 12, 2024 and should be read in conjunction with the condensed interim consolidated financial statements of the Company for the three and six-month periods ended April 30, 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.

Certain financial metrics included in this document do not have standardized meanings under generally accepted accounting principles (GAAP), which are based on IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). These financial metrics are referred to as non-GAAP or adjusted financial results. The Company uses both reported financial results and adjusted financial results in measuring its performance. These non-GAAP financial results, metrics, and ratios may not be comparable to similar metrics used by other companies.

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](http://www.sedarplus.ca) and on the Company's website at [www.cxifx.com](http://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.

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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 below. 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 April 30, 2024, the Company had 391 employees, 85 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 42 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.

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Fee revenue primarily comprises the following:

- i. Fees generated with financial institution clients, 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:

- 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 April 30, 2024, the Company had inventory on consignment in 926 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 the current period and each of the previous five fiscal years.

	2019	2020	2021	2022	2023	2024 (YTD)
Wholesale customer relationships	1,878	1,667	2,481	2,586	2,658	2,967 <sup>1</sup>
Number of transacting locations	21,595	14,787	15,202	22,170	22,551	16,883 <sup>1</sup>

<sup>1</sup>These numbers show the locations that transacted as of April 30, 2024 (2,377 and 18,360 as of April 30, 2023).

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.

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As of April 30, 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 April 30, 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 differentiates 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 those in Charlotte, Chicago, Fort Lauderdale, Minneapolis, Newark, New York, Pittsburgh, Portland, Raleigh-Durham, and Philadelphia. CXI also has agency relationships with Duty Free Americas, which includes 29 locations at the busiest ports of entry across the border between the United States and Canada, and 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 extend its reach to 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.

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The following table lists the number of retail locations by category and the number of States in which the Company's OnlineFX platform operated as at April 30, 2024, January 31, 2024, and at the end of each of the five preceding fiscal years:

	2019	2020	2021	2022	2023	Q1 2024	Q2 2024
Company-owned branch locations	46	35	35	37	38	38	38
Airport agent locations	-	7	18	23	45	49	47
Non-airport agent locations	38	47	62	161	235	231	230
States in which OnlineFX operates	-	22	31	38	40	41	42

The Company's largest asset is cash. The cash position consists of local currency banknotes, both in U.S. and Canadian Dollars, and foreign currency banknotes held at the Company's vaults, branch locations, consignment locations, or in transit between Company locations, as well as minimum cash balances in bank accounts to facilitate the buying and selling of foreign currency to facilitate currency transactions at various financial institutions clients. The Company also has traditional bank deposits to support its ongoing operations.

Accounts receivable and payable balances relate primarily to 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<sup>1</sup>:

Three-month period ended	Revenue	Net operating income	Net income	Total assets	Total equity	Earnings per share (diluted)
	\$	\$	\$	\$	\$	\$
4/30/2024	20,095,168	3,818,275	506,522	159,910,390	79,940,478	0.08
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

<sup>1</sup>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. Periods with higher commission revenue coincide 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:

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- 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.

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 April 30, 2024 and 2023:

	<b>Three-month period ended April 30, 2024</b>	Three-month period ended April 30, 2023	Change	Change
	\$	\$	\$	%
Revenue	20,095,168	18,694,919	1,400,249	7%
Operating expenses	16,276,893	14,951,850	1,325,043	9%
<b>Net operating income</b>	<b>3,818,275</b>	<b>3,743,069</b>	<b>75,206</b>	<b>2%</b>
Other income, net	93,356	121,359	(28,003)	-23%
<b>EBITDA*</b>	<b>3,911,631</b>	<b>3,864,428</b>	<b>47,203</b>	<b>1%</b>
<b>Net income</b>	<b>506,522</b>	<b>2,243,708</b>	<b>(1,737,186)</b>	<b>-77%</b>
Basic earnings per share	0.08	0.35	(0.27)	-77%
Diluted earnings per share	0.08	0.33	(0.25)	-76%
<b>Adjusted net income**</b>	<b>1,934,122</b>	<b>2,243,708</b>	<b>(309,586)</b>	<b>-14%</b>
Adjusted basic earnings per share**	0.30	0.35	(0.05)	-14%
Adjusted diluted earnings per share**	0.29	0.33	(0.04)	-12%

\*Earnings before interest, taxes, depreciation and amortization

\*\*Adjusted net income, adjusted basic and diluted earnings per share are non-GAAP metrics. Refer to the first section of this document for additional information. For the current period, adjusted net income is reported net income adjusted for the reversal of the allowance for deferred tax benefits of \$1,427,600

The Company generated revenue of \$20,095,168 for the three-month period ended April 30, 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 and new customer acquisition in both the Banknotes and Payments product lines. Compared to the first quarter of 2024, revenue increased by \$1,988,250 or 11%, as demand for foreign currency increased consistent with the seasonality associated with the Company's operations during the period. This reflects steady quarter-over-quarter growth, consistent with the cyclical growth pattern, where revenues increased by \$1,808,730 or 11% in the three-month period ended April 30, 2023. The top five currencies by revenue for the three-month period ended April 30, 2024 were the Euro (EUR), US Dollar (USD), Canadian Dollar (CAD), British Pound Sterling (GBP), and Mexican Peso (MXN). (Three-month period ended April 30, 2023: US Dollar (USD), Canadian Dollar (CAD), Euro (EUR), Mexican Peso (MXN), and British Pound Sterling (GBP)).

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The 7% year-over-year growth in revenues of \$1,400,249 was primarily due to growth in the Payments business of \$895,516, followed by growth in the direct-to-consumer Banknotes business of \$314,454. Revenue in the United States increased by \$1,437,899, or 10% over last year, while it remained flat in Canada with a marginal decline of \$37,650, or 1%. Corresponding with the revenue growth, operating expenses increased by \$1,325,043, or 9%, primarily attributable to an increase in salaries and benefits. The Company recorded net operating income of \$3,818,275 in the three-month period ended April 30, 2024, 2% higher than the same period in the prior year. EBITDA margin for the current period was 19% compared to 21% for the same period last year.

Overall, the Company reported \$506,522 of net income during the three-month period ended April 30, 2024, \$1,737,186, or 77% lower than the same period last year. Adjusted net income was \$1,934,122, a decrease of \$309,586 or 14% compared to the same period last year. Adjusted net income comprises reported net income, adjusted for the reversal of the allowance for deferred tax benefits of \$1,427,600 in Canada during the current period. Adjusted net income from the United States grew by \$379,205, 15% compared to the same period last year, whereas adjusted net income from Canada declined by \$688,791. The adjusted return on equity (ROE) for the current period was 12% compared to 19% for the same period last year. The 19% ROE of the prior period was a reflection of the Company's fast recovery from the COVID-19 pandemic. For the current period, the 12% ROE is generally lower than planned due to slower revenue growth in Canada despite a strong performance in the United States.

The Company continued its progression along its three-year strategic plan in the three-month period ended April 30, 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 71 new corporate clients, representing an active trading client base of 879 during the same period. The Company processed 37,107 payment transactions, representing \$3.39 billion in volume. This compares to 30,394 transactions on \$2.59 billion of volume in the three-month period ending April 30, 2023;
- ii. Increased its penetration into the financial institution sector in the United States with the addition of 104 new clients, representing 147 transacting locations; and
- iii. Added the State of Wisconsin, making it the 42<sup>nd</sup> State in which the Company provides its services through its OnlineFX platform. The platform is currently available to serve 91% of the U.S. population.

The Company's capital base has grown to \$79.9 million. The Company remains well capitalized and maintains a revolving line of credit to support working capital needs in the amount of \$40 million with its primary lender. This credit facility strengthens the Company's liquidity position during seasonal peaks and in support of 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 growth objectives. 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 April 30, 2024	As of October 31, 2023
	\$	\$
Total assets	159,910,390	132,049,444
Total long term financial liabilities	3,704,165	2,719,288
Total equity	79,940,478	79,232,981



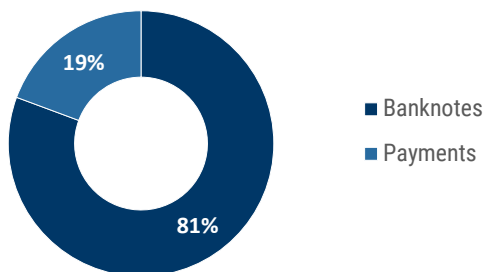
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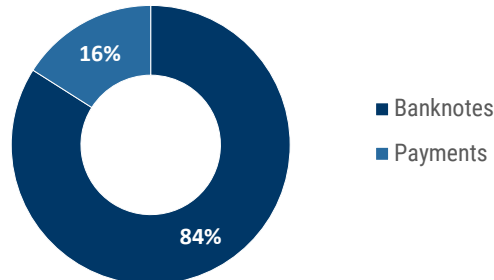
The following shows a breakdown of revenues for the three-month periods ended April 30, 2024 and 2023 by product line and geographic location:

Revenues by Product Line				
	Three-month period ended April 30, 2024	Three-month period ended April 30, 2023	Change	Change
	\$	\$	\$	%
Banknotes	16,208,896	15,704,163	504,733	3%
Payments	3,886,272	2,990,756	895,516	30%
<b>Total</b>	<b>20,095,168</b>	<b>18,694,919</b>	<b>1,400,249</b>	<b>7%</b>

Three-month period ended April 30, 2024



Three-month period ended April 30, 2023



## Revenue by Product Line

### Banknotes

Revenues in the Banknotes product line increased by \$504,733 or 3% in the three-month period ended April 30, 2024, from the same period in 2023, due to the continued growth in demand for travel currencies from increased travel levels. This was evident by the continued growth in consumer demand for foreign currencies as international travel continued to strengthen in the U.S. during the second quarter of this year. Between February 2024 and April 2024, approximately 215 million travelers passed through TSA check points in United States airports. This is an increase of 8% from the same time last year.

Direct-to-consumer Banknotes revenues increased by \$314,454, or 5%. The Company's market share continued to grow as indicated by its direct-to-consumer footprint through company-owned branch locations, including agents and its OnlineFX platform. The growth was attributed to increases in volumes in branch locations, as newly opened locations continued to mature over time and drive higher volumes in addition to the geographic reach of the OnlineFX platform. For the OnlineFX platform, the Company recently entered the State of Ohio in the fourth quarter of 2023, the State of Alabama in the first quarter of 2024 and the State of Wisconsin in the current quarter, which represents an opportunity for the Company to offer its online services to almost 91% of the U.S. population. Direct-to-consumer revenues represented 34% of the total revenue in the current three-month period, compared to 35% in the same period in 2023.

Wholesale Banknotes revenues increased by \$190,279, or 2% as the Company continued to grow its Domestic Wholesale Banknotes with new customer acquisition and the growth in volumes from existing relationships despite the slow performance of international clients and the decline in transacted US Dollars volumes with international clients in Canada. The Company was able to achieve efficiencies in operating costs associated with Wholesale Banknotes, including shipping costs as further outlined below. Relative to the three-month period ended January 31, 2024, Wholesale Banknotes revenue increased by \$1,163,998 or 14%, which coincides with a typical seasonal increase in tourism in North America. Wholesale

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Banknotes revenues represented 47% of total revenue in the current three-month period, compared to 49% in the same period in 2023.

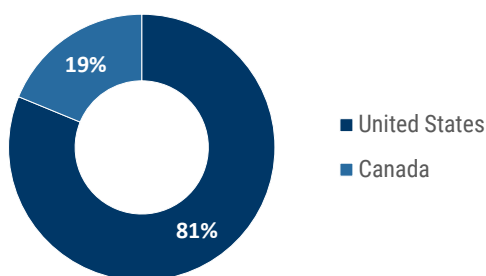
## Payments

Revenues in the Payments product line increased by 30% in the three-month period ended April 30, 2024, compared to the same period in 2023. This revenue growth is primarily driven by new customer acquisitions and increased activity from existing financial institution customers in the United States, a direct result of the Company's continued investment in integrations with core banking platforms. The Payments product line in the United States grew 53% in the three-month period ended April 30, 2024, compared to the same period last year, whereas Canada remained flat compared to the same period last year. The Company processed 37,107 payment transactions, representing \$3.39 billion in volume in the three-month period ended April 30, 2024. This compares to 30,394 transactions on \$2.59 billion of volume in the same period in 2023. The Payments revenue represents 19% of the total revenue in the current three-month period, compared to 16% in the same period in 2023.

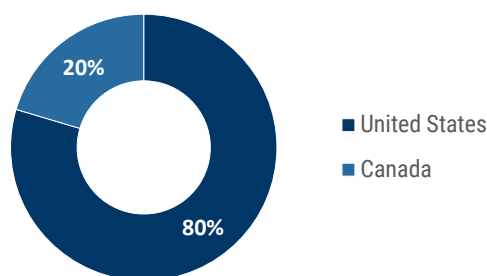
### Revenues by Geographic Location

	Three-month period ended April 30, 2024	Three-month period ended April 30, 2023	Change	Change
	\$	\$	\$	%
United States	16,320,378	14,882,479	1,437,899	10%
Canada	3,774,790	3,812,440	(37,650)	-1%
<b>Total</b>	<b>20,095,168</b>	<b>18,694,919</b>	<b>1,400,249</b>	<b>7%</b>

Three-month period ended April 30, 2024



Three-month period ended April 30, 2023



## Revenue by Geographic Location

### United States

Revenues in the United States grew by 10% during the three-month period ended April 30, 2024 when compared to the same period in 2023, led primarily by \$907,485, or 53%, growth in Payments and \$314,454, or 5%, in direct-to-consumer Banknotes, with the remainder of the growth related to Wholesale Banknotes. As outlined above, the growth in the Payments product line was primarily the result of the Company's investment in core banking platforms that allowed onboarding of new financial institution customers during the period in addition to increased activity from existing customers. Banknotes revenues, including direct-to-consumer, were largely impacted by new customer acquisition, increases in transactions and demand for travel currencies and certain exotic currencies as travel to and from the U.S. continued to strengthen complimented by

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growth across most of the branch locations and through the Company's OnlineFX platform. Revenues in the U.S. represented 81% of total revenues by geographic location in the current three-month period, compared to 80% in the same period in 2023.

## Canada

Revenues in Canada were flat during the three-month period ended April 30, 2024 when compared to the same period last year. Growth in Domestic Banknotes revenues was offset by a decline in transacted volumes for US Dollars with international clients. Overall, revenues in the Banknotes product line declined by \$25,681, or 1% and revenues in the Payments product line declined by \$11,969, or 1%. Payments volumes resulted in revenue growth of \$131,357, or 10%, with marginal increases in certain existing clients' transactional volumes in addition to new relationships, however this growth was impacted by unfavorable foreign exchange movements that impacted trends in transactional volumes. Overall, revenues in Canada represented a 19% share of total revenues by geographic location in the current three-month period, compared to 20% in the same period in 2023.

During the three-month period ended April 30, 2024, the Company's operating expenses increased 9% compared to the same period last year. This 9% increase is higher than the 7% growth in revenues due to slower revenue growth in Canada. Variable costs within operating expenses, represented by postage and shipping, sales commissions, incentive compensation and bank fees totaled \$4,954,575 compared to \$5,554,083 in the three-month period ended April 30, 2023. This decline in variable costs was primarily attributed to a reduction in shipping costs of \$875,056 as outlined further below. However, this decrease was offset by an increase in both sales commission and employee incentive compensation. The ratio comparing total operating expenses to total revenue for the three-month period ended April 30, 2024 was 81% compared to 80% for the three-month period ended April 30, 2023.

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

	<b>Three-month period ended April 30, 2024</b>	Three-month period ended April 30, 2023	Change	Change
	\$	\$	\$	%
Salaries and benefits	8,934,672	7,656,318	1,278,354	17%
Postage and shipping	2,724,012	3,599,068	(875,056)	-24%
Information technology	1,055,248	677,957	377,291	56%
Legal and professional	684,254	708,541	(24,287)	-3%
Bank service charges	621,977	649,648	(27,671)	-4%
Rent	463,877	425,842	38,035	9%
Stock based compensation	401,421	280,633	120,788	43%
Foreign exchange losses (gains)	327,361	(328,000)	655,361	>100%
Losses and shortages	320,378	496,297	(175,919)	-35%
Insurance, taxes and licensing	282,444	271,165	11,279	4%
Travel and entertainment	169,970	266,965	(96,995)	-36%
Other general and administrative	291,279	247,416	43,863	18%
<b>Operating expenses</b>	<b>16,276,893</b>	<b>14,951,850</b>	<b>1,325,043</b>	<b>9%</b>

Salaries and benefits increased when compared to the prior year, mostly driven by a higher average headcount in the period, in addition to a partial increase in cost driven by inflation in base salaries and health care costs.

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Postage and shipping had a 24% decrease when compared to the same period last year despite the growth in Banknotes volumes. This decline reflects cost management initiatives implemented by the Company 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 increased costs during the period were associated with the Company's continued development of its technology solutions to support and streamline its business and customers service delivery, including expansions in the Payments product line and core banking platforms. Increased costs include costs to strengthen the Group's security systems and technology solutions in addition to implementing the treasury management system, and CXIFX continuous developments.

Stock based compensation includes the amortization related to vesting of issued and outstanding stock options, Restricted Stock Unit (RSU) and Deferred Stock Unit (DSU) awards, adjusted for the liability revaluation of RSU and DSU awards based on the stock price at the end of period. The increase from prior period is primarily related to stock options awarded on October 30, 2023 and an adjustment related to movement in the stock price.

Foreign exchange losses (gains) represent the net result after considering hedging and risk management strategies designed to reduce the inherent risks in the Company's exposure to foreign exchange, thereby minimizing volatility in earnings. The Mexican Peso was a driver of foreign exchange losses in the three-month period ended April 30, 2024, representing \$216,204, or 64% of losses during the period, compared to \$76,184 loss of the net results after hedging for the same period last year.

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 as a result of cost management initiatives that the Company implemented to manage shipments, including converting many shipments to armored delivery.

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:

	<b>Three-month period ended April 30, 2024</b>	<b>Three-month period ended April 30, 2023</b>
	\$	\$
Depreciation of right-of-use-assets	463,904	482,896
Depreciation and amortization	410,989	374,200
Interest expense	160,599	256,705
Interest on lease liabilities	39,106	47,592
Interest revenue	(93,421)	(99,536)
Other expense (income)	65	(11,822)
Gain on sale of assets	-	(10,000)
Income tax expense	2,330,511	459,326
<b>Total other expenses</b>	<b>3,311,753</b>	<b>1,499,361</b>

Depreciation and amortization of property and equipment increased in the current period compared to the same period last year due to an increase in internally developed software, leasehold improvements, and equipment.

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 April 30, 2024, the Company had \$5,086,470 drawn on its lines of credit, with \$45,276,849 available for use. This compares

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to \$14,852,630 drawn at April 30, 2023, and \$35,516,756 available. The average outstanding borrowings by the Company amounted to \$6,238,357 during the three-month period ended April 30, 2024, compared to \$13,182,934 during the same period last year, which led to the significant reduction in interest expense. The average interest rate on borrowings was 8.8% for the current period versus 7.2% for the same period last year. Refer to the Liquidity and Capital Resources section below.

Interest revenue for the period was primarily from 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).

Income tax expense for the current period included \$1,427,600 related to the reversal of the allowance for deferred tax benefits in Canada for which the Company has assessed it is more likely than not that it will not be recoverable in the near term. The Company reassesses its allowance for deferred tax benefits at the end of each reporting period. The benefit amount reflects deferred tax assets recognized for periods on or before October 31, 2022. Other amounts are primarily related to taxable income growth in the U.S. subject to certain temporary and permanent adjustments to taxable income.

The following is a summary of the results of operations for the six-month periods ended April 30, 2024 and 2023:

	Six-month period ended April 30, 2024	Six-month period ended April 30, 2023	Change	Change
	\$	\$	\$	%
Revenue	38,202,086	35,581,108	2,620,978	7%
Operating expenses	32,136,544	29,103,880	3,032,664	10%
<b>Net operating income</b>	<b>6,065,542</b>	<b>6,477,228</b>	<b>(411,686)</b>	<b>-6%</b>
Other income, net	180,001	217,670	(37,669)	-17%
<b>EBITDA*</b>	<b>6,245,543</b>	<b>6,694,898</b>	<b>(449,355)</b>	<b>-7%</b>
<b>Net income</b>	<b>1,356,397</b>	<b>3,833,207</b>	<b>(2,476,810)</b>	<b>-65%</b>
Basic earnings per share	0.21	0.60	(0.39)	-65%
Diluted earnings per share	0.21	0.57	(0.36)	-63%
<b>Adjusted net income**</b>	<b>2,783,997</b>	<b>3,833,207</b>	<b>(1,049,210)</b>	<b>-27%</b>
Adjusted basic earnings per share**	0.44	0.60	(0.16)	-27%
Adjusted diluted earnings per share**	0.42	0.57	(0.15)	-26%

\*Earnings before interest, taxes, depreciation and amortization

\*\*These are non-GAAP metrics. Please refer to the first section of this document for additional information. For the current period, adjusted net income is reported net income adjusted for the reversal of the allowance for deferred tax benefits of \$1,427,600

The Company generated revenue of \$38,202,086 for the six-month period ended April 30, 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, 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.

The 7% growth in revenues was mostly due to growth in direct-to-consumer Banknotes by \$1,287,063. Revenue in the United States increased by \$3,970,652, or 15% over the same period last year, while it declined in Canada by \$1,349,674, or 15%. Corresponding with the revenue growth, operating expenses increased by \$3,032,664, or 10%, primarily attributable to an increase in salaries and benefits. The Company recorded net operating income of \$6,065,542 in the six-month period ended April 30, 2024, 6% lower than the same period in the prior year. EBITDA margin for the current period was 16% compared to 19% for the same period last year.

# Management's Discussion and Analysis

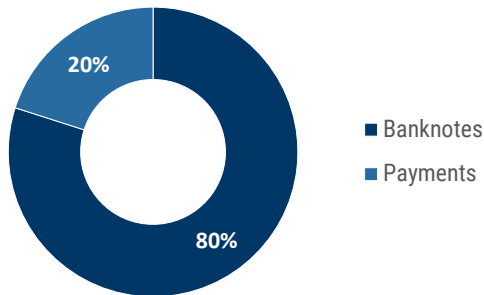
(All amounts are expressed in U.S. Dollars unless otherwise noted)  
For the three and six-month periods ended April 30, 2024 and 2023

Overall, the Company reported \$1,356,397 of net income during the six-month period ended April 30, 2024, \$2,476,810, or 65% lower than the same period last year. Adjusted net income was \$2,783,997, a decrease of \$1,049,210 or 27% compared to the same period last year. Adjusted net income comprised reported net income, adjusted for the reversal of the allowance for deferred tax benefits of \$1,427,600 in Canada during the current period. Adjusted net income from the United States grew by \$1,066,827, or 28% compared to the same period last year, whereas in Canada it declined by \$2,116,037.

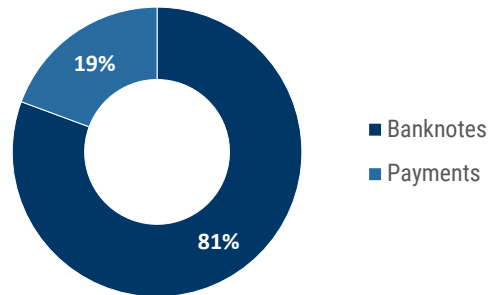
The following shows a breakdown of revenues for the six-month periods ended April 30, 2024 and 2023 by product line and geographic location:

Revenues by Product Line				
	Six-month period ended April 30, 2024	Six-month period ended April 30, 2023	Change	Change
	\$	\$	\$	%
Banknotes	30,535,958	28,691,503	1,844,455	6%
Payments	7,666,128	6,889,605	776,523	11%
<b>Total</b>	<b>38,202,086</b>	<b>35,581,108</b>	<b>2,620,978</b>	<b>7%</b>

Six-month period ended April 30, 2024



Six-month period ended April 30, 2023



## Revenue by Product Line

### Banknotes

Revenues in the Banknotes product line increased by \$1,844,455 or 6% in the six-month period ended April 30, 2024, from the same period in 2023, due to strong demand on both travel and exotic currencies as a result of the increased travel levels as international travel continued to strengthen in both the U.S. and Canada.

The growth in Banknotes revenues is primarily attributable to direct-to-consumer Banknotes revenues which increased by \$1,287,063, or 11% as the Company's market share continued to grow. This growth was attributed to (i) the Company's owned retail locations, as many locations have matured as evidenced by increased volumes, (ii) opening of additional airport locations 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 in the first quarter and the State of Wisconsin in the second quarter.

In total, Banknotes revenues represented 80% of total revenue in the current six-month period, compared to 81% in the same period in 2023.

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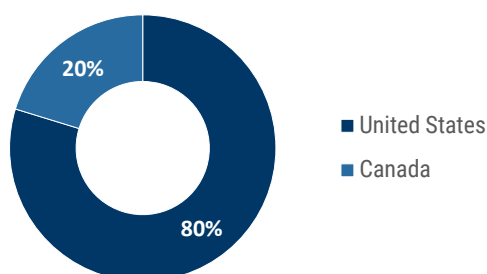
## Payments

Revenues in the Payments product line increased by 11% in the six-month period ended April 30, 2024, compared to the same period in 2023, driven by new customer acquisitions and increased activity from existing financial institution customers in the United States, a direct result of the Company's continued investment in integrations with core banking platforms, which resulted in a 42% increase for this region for the period. Canada declined by 21% as a result of reduced volumes in the first quarter. Payments revenue represented 20% of total revenue in the current six-month period, compared to 19% in the same period in 2023.

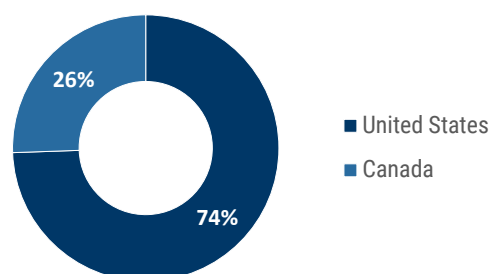
### Revenues by Geographic Location

	Six-month period ended April 30, 2024	Six-month period ended April 30, 2023	Change	Change
	\$	\$	\$	%
United States	30,461,397	26,490,745	3,970,652	15%
Canada	7,740,689	9,090,363	(1,349,674)	-15%
<b>Total</b>	<b>38,202,086</b>	<b>35,581,108</b>	<b>2,620,978</b>	<b>7%</b>

Six-month period ended April 30, 2024



Six-month period ended April 30, 2023



## Revenue by Geographic Location

### United States

Revenues grew by 15% during the six-month period ended April 30, 2024 when compared to the same period in 2023, led primarily by \$1,491,374, or 42%, growth in Payments and \$1,287,063, or 11%, in direct-to-consumer Banknotes, with the remainder of the growth related to Wholesale Banknotes of \$1,192,217, or 10%. The growth in the Payments product line was mostly a result of the Company's investment in integrations with core banking platforms that expanded the onboarding of new customers during the period in addition to increased activity from existing financial institution customers. Banknotes revenues, including direct-to-consumer, were largely impacted by new customer acquisition, increases in transactions and demand for both travel and exotic currencies, complemented by growth across several branch locations and through the Company's OnlineFX platform. Revenues in the U.S. represented 80% of total revenues by geographic location in the current six-month period, compared to 74% in the same period in 2023.

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## Canada

Revenues declined by 15% from the same period last year primarily due to reduced transactional volumes for certain key clients in the Payments product line and lower transacted volumes for US Dollars with international clients, despite a marginal growth in Domestic Banknotes revenues compared to the same period last year. Revenues in the Payments product line declined by \$714,849, or 21%, while the Banknotes product line declined by \$634,825, or 11%, compared to the same period in the prior year. Revenues in Canada represented a 20% share of total revenues by geographic location in the current six-month period, compared to 26% in the same period in 2023.

During the six-month period ended April 30, 2024, the Company's operating expenses increased 10% compared to the same period last year. This increase is higher than the 7% growth in revenues primarily due to slower revenue growth in Canada. Variable costs within operating expenses, represented by postage and shipping, sales commissions, incentive compensation and bank fees, totaled \$9,168,352 compared to \$9,709,617 in the six-month period ended April 30, 2023. The decline 6% was primarily driven by a decrease in postage and shipping. The ratio comparing total operating expenses to total revenue for the six-month period ended April 30, 2024 was 84% compared to 82% for the six-month period ended April 30, 2023.

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

	<b>Six-month period ended April 30, 2024</b>	Six-month period ended April 30, 2023	Change	Change
	\$	\$	\$	%
Salaries and benefits	18,486,517	15,660,694	2,825,823	18%
Postage and shipping	4,752,372	5,707,552	(955,180)	-17%
Information technology	1,998,721	1,334,798	663,923	50%
Legal and professional	1,353,598	1,368,797	(15,199)	-1%
Stock based compensation	1,083,046	957,788	125,258	13%
Bank service charges	1,167,792	1,176,525	(8,733)	-1%
Rent	982,763	822,120	160,643	20%
Insurance, taxes and licensing	585,319	590,251	(4,932)	-1%
Losses and shortages	476,007	937,932	(461,925)	-49%
Travel and entertainment	325,992	493,712	(167,720)	-34%
Foreign exchange losses (gains)	289,847	(464,733)	754,580	>100%
Other general and administrative	634,570	518,444	116,126	22%
<b>Operating expenses</b>	<b>32,136,544</b>	<b>29,103,880</b>	<b>3,032,664</b>	<b>10%</b>

Salaries and benefits increased when compared to the prior year, mostly driven by a higher average headcount in the period, in addition to a partial increase in cost driven by inflation in base salaries and health care costs.

Postage and shipping had a 17% decrease when compared to the same period last year despite the 6% 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 increased costs during the period were associated with the Company's continued development of its technology solutions to support and streamline its business and customers service delivery, including



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expansions in the Payments product line and core banking platforms. Increased costs includes costs to strengthen the Group's security systems and technology solutions in addition to implementing the treasury management system, and CXIFX continuous developments.

Rent increased due to the addition of 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.

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

Foreign exchange losses (gains) represent the net result after considering hedging and risk management strategies designed to reduce the inherent risks in the Company's exposure to foreign exchange, thereby minimizing volatility in earnings. The Mexican Peso was a driver of foreign exchange losses in the six-month period ended April 30, 2024, representing a net loss of \$211,283, completely offsetting net gains in other currency exposures in this category for the period. Whereas the Euro represented \$500,256 gain in the same period last year.

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:

	<b>Six-month period ended April 30, 2024</b>	Six-month period ended April 30, 2023
	\$	\$
Depreciation of right-of-use-assets	922,808	961,645
Depreciation and amortization	830,258	735,387
Interest expense	309,583	611,474
Interest on lease liabilities	79,192	96,273
Interest revenue	(180,066)	(230,747)
Other expense (income), net	65	(23,697)
Loss on sale of assets, net	-	36,774
Income tax expense	2,747,305	456,912
<b>Total other expenses</b>	<b>4,709,145</b>	<b>2,644,021</b>

Depreciation and amortization of property and equipment increased in the current period compared to the same period last year due to an increase in internally developed software, leasehold improvements, and equipment.

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. The average outstanding borrowings by the Company amounted to \$5,886,247 during the six-month period ended April 30, 2024, compared to \$12,833,570 during the same period last year, which led to the significant reduction in interest expense. The average interest rate on borrowings was 8.7% for the current period versus 7.6% for the same period last year. Refer to the 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 Internal Revenue Service (IRS) relating to an expected refund for an Employee Retention Credit (ERC).

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Income tax expense for the current period included \$1,427,600 related to the reversal of an allowance for deferred tax benefits in Canada for which the Company has assessed it is more likely than not that it will not be recoverable in the near term. The benefit amount reflects deferred tax assets recognized for periods on or before October 31, 2022. Other amounts are primarily related to taxable income growth in the U.S. subject to certain temporary and permanent adjustments to taxable income.

## Cash Flows

Cash flows from operating activities during the six-month period ended April 30, 2024, resulted in an inflow of \$35,147,757 compared to an inflow of \$5,169,141 during the six-month period April 30, 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, as such net cash flows from operating activities included two large transactions that were awaiting settlement at April 30, 2024. Excluding changes in working capital, operating cash flow generated by commission and fee income, adjusted for operating expenses, was an inflow of \$6,939,814 for the six-month period ended April 30, 2024, versus an inflow of \$6,981,713 in the prior year's comparative period.

Cash flows from investing activities during the six-month period ended April 30, 2024, resulted in an outflow of \$955,758 compared to an outflow of \$477,737 during the six-month period ended April 30, 2023. Cash outflows from investing activities are mainly related to leasehold improvements, internally developed software, furniture and equipment.

Cash flows from financing activities during the six-month period ended April 30, 2024, resulted in an outflow of \$11,542,873 compared to an inflow of \$7,670,000 during the year ended April 30, 2023. This was primarily the result of the Company's repayment of one of its lines of credit in addition to cash payments for cancellation of the Company's shares during the six-month period ended April 30, 2024. The Company's outstanding balance on lines of credit amounted to \$5,086,470 at April 30, 2024 compared to \$14,852,630 on April 30, 2023.

## Liquidity and Capital Resources

On April 30, 2024, the Company had net working capital of \$72,752,940 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 provided an accordion feature for up to an additional \$10,000,000 with the lender's approval. The Amended and Restated Credit Agreement provided 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 April 30, 2024 and 5.31% at October 31, 2023). At April 30, 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 April 30, 2024 and 7.20% at October 31, 2023). At April 30, 2024, the balance outstanding was \$Nil (October 31, 2023, \$Nil).

On April 7, 2021, EBC entered into a \$20,000,000 USD revolving loan agreement 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

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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. On April 25, 2024, EBC amended this facility to extend the maturity to January 19, 2027, to specify the interest rate at 8.9%, and to limit the borrowing capacity to a maximum amount not greater than 10% of the guarantor's total liabilities as set out in the statements of financial position of the guarantor's most recent, publicly filed financial statements. 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; however, these facilities may be terminated on 90-days' notice by either party. The total outstanding balance for the Company at April 30, 2024, was \$5,086,470 (October 31, 2023, \$3,605,683).

The Company had available unused lines of credit amounting to \$45,276,849 at April 30, 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 condensed interim consolidated statements of financial position:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of lease with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Equipment	1	0 years	0	1	-	-	-
Corporate offices	8	0-5 years	1	4	-	-	-
Retail store locations	23	0-5 years	2	-	-	-	-
<b>Total</b>	<b>32</b>	<b>0-5 years</b>	<b>1</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at April 30, 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	1,457,685	656,865	479,401	369,839	203,680	-	<b>3,167,470</b>
Finance charges	110,918	69,291	40,405	20,172	3,422	-	<b>244,208</b>
<b>Net present values</b>	<b>1,346,767</b>	<b>587,574</b>	<b>438,996</b>	<b>349,667</b>	<b>200,258</b>	<b>-</b>	<b>2,923,262</b>

# Management's Discussion and Analysis

(All amounts are expressed in U.S. Dollars unless otherwise noted)  
For the three and six-month periods ended April 30, 2024 and 2023

## 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 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 contracts and purchased 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.

The foreign currency forward contracts can be closed immediately resulting in any collateral being liquidated. The foreign currency option contracts are held to maturity and are either exercised for a net gain or expire at no obligation to the Company.

The fair value of forward and option contracts, which represents the amount that would be received by the Company if the contracts were terminated at April 30, 2024 was \$828,276 (October 31, 2023, \$1,066,467).

At April 30, 2024 the Company had cash collateral balances related to forward contracts being held of \$3,230,000 (October 31, 2023, \$3,119,888). They are reflected as restricted cash held in escrow in the condensed interim consolidated statements of financial position.

## Critical Accounting Estimates

When preparing the condensed interim consolidated financial statements, management undertakes 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.

# Management's Discussion and Analysis

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## Transactions with Related Parties

The remuneration of directors and key management personnel during the three and six-month periods ended April 30, 2024 and 2023 were as follows:

	<b>Three-month period ended</b>	Three-month period ended	<b>Six-month period ended</b>	Six-month period ended
	<b>April 30, 2024</b>	April 30, 2023	<b>April 30, 2024</b>	April 30, 2023
	\$	\$	\$	\$
Short-term benefits	1,159,594	1,109,314	2,543,258	2,208,156
Post-employment benefits	49,109	45,530	107,552	90,957
Stock based compensation	59,736	21,713	232,477	47,861
Restricted and Deferred Share Units	563,534	254,301	846,241	900,443
<b>Total</b>	<b>1,831,973</b>	<b>1,430,858</b>	<b>3,729,528</b>	<b>3,247,417</b>

The Company incurred legal and professional fees in the aggregate of \$29,547 and \$66,748 for the three and six-month periods ended April 30, 2024 (April 30, 2023, \$30,208 and \$72,257) 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 \$222,000 and \$272,417 in revenue from these clients' activities for the three and six-month period ended April 30, 2024 (April 30, 2023, \$113,754 and \$172,257). As at April 30, 2024, accounts receivable included \$Nil from related parties (April 30, 2023, \$924,515).

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., is repayable on demand, and is unsecured. At April 30, 2024, the intercompany loan balance was \$12,735,199 (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 and six-month periods ended April 30, 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.

# Management's Discussion and Analysis

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## 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 six-month period ended April 30, 2024, the Company recognized \$236,805 of stock based compensation expense in relation to employees' stock option awards that have vested during the period (April 30, 2023, \$57,345).

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 and outstanding	Risk-free interest rate	Expected volatility	Exercise price (CAD\$)*	Fair value of option at grant date (\$)
23-Oct-19	23-Oct-24	17.03	139,786	1.58%	24%	17.36	3.07
24-Jun-20	24-Jun-25	12.50	22,662	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	196,347	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	113,883	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 stock options at April 30, 2024, and the respective changes during the period are summarized as follows:

	Number of options	Weighted average price
	#	CAD\$
<b>Outstanding at October 31, 2023</b>	<b>857,484</b>	<b>15.53</b>
Granted	-	-
Exercised	(106,591)	15.47
Expired	(13,316)	25.83
Forfeited/cancelled	(648)	14.35
<b>Outstanding at April 30, 2024</b>	<b>736,929</b>	<b>15.35</b>

# Management's Discussion and Analysis

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The following options were outstanding and exercisable at April 30, 2024:

Grant Date	Exercise price (CAD\$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
23-Oct-19	\$17.36	139,786	0.48	139,786
24-Jun-20	\$12.74	22,662	1.15	22,662
29-Jul-20	\$10.83	18,000	1.25	18,000
29-Oct-20	\$10.83	196,347	1.50	196,347
28-Jan-21	\$11.02	3,873	1.75	3,873
28-Oct-21	\$14.35	113,883	2.50	74,702
28-Apr-22	\$18.10	20,000	2.99	13,334
25-Jul-22	\$16.23	4,493	3.24	1,498
21-Sep-22	\$18.93	5,748	3.39	1,917
31-Oct-22	\$18.37	117,459	3.50	39,157
30-Oct-23	\$20.07	94,678	4.50	-
<b>Total</b>		<b>736,929</b>		<b>511,276</b>

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 six-month period ended April 30, 2024, the Company recognized stock based compensation expenses of \$846,241 (April 30, 2023, \$900,443) in relation to RSU and DSU awards that have vested during the period, out of which \$443,474 was recognized for RSU awards and \$402,767 was recognized for DSU awards, (April 30, 2023, \$483,287 and \$417,156, for RSU and DSU awards, respectively).

## Share Capital

As of April 30, 2024, the Company had 6,427,371 common shares outstanding, 511,276 vested, and 225,653 unvested stock options, and no warrants outstanding (October 31, 2023, 6,443,397).

On November 29, 2023, the Company announced acceptance by the TSX of the Company's notice of Intention to make a normal course issuer bid (the "NCIB") to purchase for cancellation a maximum amount of 322,169 common shares representing 5% of the Company's issued and outstanding common shares as at November 24, 2023. During the six-month periods ended on April 30, 2024, the Company purchased for cancellation 52,100 common shares at the normal market prices trading on the TSX for \$939,170. These shares were immediately cancelled and removed from treasury by the Company.

# Management's Discussion and Analysis

(All amounts are expressed in U.S. Dollars unless otherwise noted)  
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The following represents information about the Company's share price:

	Share Information		
	April 30, 2024	October 31, 2023	April 30, 2023
	\$	\$	\$
Closing share price (TSX) in CAD\$	25.87	20.50	25.49
Shares outstanding	6,427,371	6,443,397	6,442,547
Market capitalization <sup>1</sup>	120,822,622	95,254,664	121,321,311
Book value per share <sup>2</sup>	12.44	12.30	11.35
Market value to book value multiple <sup>3</sup>	2.08	1.67	2.25

<sup>1</sup> Based on the TSX closing market price at period end, converted into USD using the Company's CAD to USD rate at the end of each reporting period

<sup>2</sup> Book value per share is total equity divided by the number of shares outstanding

<sup>3</sup> Market value to book value multiple is the ratio of the share's market value represented in the closing price as per the TSX divided by the book value per share

## Subsequent Events

The Company evaluated subsequent events through June 12, 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 and six-month period ended April 30, 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



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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.

## 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 April 30, 2024	As of October 31, 2023
<b>Customer type</b>	\$	\$
Domestic and international financial institutions	21,427,354	18,339,600
Money-service businesses	4,934,316	2,171,215
Other	765,552	614,731
<b>Total</b>	<b>27,127,222</b>	<b>21,125,546</b>

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.

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## 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 six-month period ended April 30, 2024.

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

	April 30, 2024			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash	115,508,455	-	-	115,508,455
Forward and option contract assets	-	828,276	-	828,276
<b>Total assets</b>	<b>115,508,455</b>	<b>828,276</b>	<b>-</b>	<b>116,336,731</b>
<b>Financial liabilities</b>				
Restricted and deferred share units	-	2,126,275	-	2,126,275
<b>Total liabilities</b>	<b>-</b>	<b>2,126,275</b>	<b>-</b>	<b>2,126,275</b>

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

## 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 mitigates its exposure to foreign currency fluctuations through a layered risk management strategy that includes forward hedges and selective use of purchased options. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are too cost prohibitive to hedge. These

# Management's Discussion and Analysis

(All amounts are expressed in U.S. Dollars unless otherwise noted)  
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exposures are managed to acceptable risk appetite levels using a historical Value-at-Risk (VaR) methodology. 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 April 30, 2024, was \$8,961,506 (October 31, 2023, \$9,361,900). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar on April 30, 2024 was \$7,374,173 (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 +\$147,000/- \$147,000 (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.

## Interest Rate Risk

At April 30, 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 banknotes 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 six-month period ended April 30, 2024 would have been approximately +\$11,000/- \$11,000 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 April 30, 2024 and determined that it is sufficient to meet its financial obligations.

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The following are non-derivative contractual financial liabilities:

April 30, 2024				
Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	\$	\$	\$	\$
Accounts payable	57,481,318	57,481,318	57,481,318	Nil
Holding accounts	6,339,666	6,339,666	6,339,666	Nil
Lines of credit	5,086,470	5,086,470	5,086,470	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

## 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.

	April 30, 2024	October 31, 2023
	\$	\$
Current assets	149,018,687	120,243,608
Current liabilities	(76,265,747)	(50,097,175)
<b>Working capital</b>	<b>72,752,940</b>	<b>70,146,433</b>

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.