Currency Exchange International, Corp.

Management's Discussion and Analysis

For the Three-Month Periods Ended January 31, 2025 and 2024

Scope of Analysis

This Management's Discussion and Analysis (MD&A) covers the results of operations and the financial condition of Currency Exchange International, Corp. (CXI, the Group, or the Company) and its subsidiaries for the three-month periods ended January 31, 2025 and 2024, including the notes thereto. This document is intended to assist the readers with better understanding and assessing operations and the financial results of the Company.

This MD&A was prepared as of March 12, 2025 and should be read in conjunction with the condensed interim consolidated financial statements of the Company for the three-month periods ended January 31, 2025 and 2024, 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, 2024 and 2023. 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 the International Financial Reporting Standards (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 to measure its performance. These non-GAAP financial results, metrics, and ratios may not be comparable to similar metrics used by other companies. For further information, refer to key performance and non-GAAP financial measures section in this document.

In this document "CXI", "the Group", and "Company," refer to Currency Exchange International, Corp. collectively with its wholly owned subsidiaries, eZforex and EBC.

Additional Information

Additional information relating to the Company, including annual financial statements, and the Company's annual information form, is available on the Company's SEDAR+ profile at www.sedarplus.ca and on the Company's website at www.cxifx.com.

Forward-Looking Statements

This MD&A contains certain "forward-looking information" as defined in applicable securities laws. These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "budgeted", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", variations or the negatives of such words and phrases, or state that certain actions, events, or results "may", "could", "would", "should", "might" or "will" be taken, occur, or be achieved. The forward-looking information in this MD&A is based on the date of this MD&A or based on the date(s) specified in such statements. The following table outlines certain significant forward-looking information contained in this MD&A and provides the material assumptions used to develop such forward-looking information and material risk factors that could cause actual results to differ materially from the forward-looking information.

Forward-looking Information	Assumptions	Risk factors
Sensitivity analyses relating to foreign currencies and interest rates.	All factors other than the variable in question remain unchanged; CXI's entire unhedged balance of foreign currency holdings is affected uniformly by changes in exchange rates; CXI's interest-bearing instruments and obligations were constant during the period.	Fluctuations of exchange rates and interest rates.
CXI's decision to exit Canada and to pursue a discontinuance from the Bank Act.	As announced on February 18, 2025, the Board of Directors has approved a strategy to pursue an orderly discontinuation of operations in Canada. This exit strategy includes timelines for termination of employees, vendor contracts, customer activity, supplier relationships, and banking relationships by the end of fiscal year 2025. Certain one-time costs will be incurred, primarily over the next six months, largely driven by restructuring, vendor termination fees, severance obligations, professional fees and other related charges. Referral opportunities for certain employees and customers are under consideration. Upon satisfying all obligations with third parties and creditors, EBC would repay the outstanding portion of the intercompany loan with all remaining net working capital. The plan aims to cease all customer activity by August 2025 in preparation for administrative and financial statement audits required once activity has ceased.	Referral opportunities are pursued to the extent they streamline the exit process and contribute to an orderly cessation of operations. Due diligence required for any referral may delay portions of the exit strategy. Legal matters may be brought to EBC by employees, customers, or third-parties as a result of its discontinuance of operations. The exit strategy assumes costs associated with these risks; however, uncertainties associated with the exit strategy could increase costs through unforeseen delays or challenges.

Inherent in the forward-looking information are risks, uncertainties, and other factors beyond the Company's ability to predict or control. 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; OTC: 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. At January 31, 2025, the Company had 397 employees, 98 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 within 44 states and the District of Columbia, with the recent addition of Nebraska in November 2024. 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 fee 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.

Fee revenue primarily comprises the following:

i. Transaction fees generated from financial institution clients, at the Company's branch locations, via OnlineFX transactions and through inventory on consignment locations from foreign currency (banknote) exchange, and currency price protection; 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:

In the second half of 2024, the Company opened a new vault in Louisville, Kentucky, which provides the Company's banknotes operations with another strategic location for logistics and shipment deliveries and provides improved resilience and operational efficiency for its branch network. With the addition of the Louisville vault, the Company now operates a total of six vaults serving its operations in both Canada and the United States. In the United States, the vaults act as distribution centers for the Company's branch network as well as order fulfillment centers for its customers including financial institutions, money-service businesses and other corporate clients. Revenue generated from vaults has 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. Normally the Company also 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 are 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.

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

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 currency is placed in some of these locations on a consignment basis. On January 31, 2025, the Company had inventory on consignment in 1,148 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. Management monitors the performance of its business using several measures, such as the number of unique transactions executed, categorized by product line and delivery channels. Management reviews these measures on a regular basis to ensure they are meaningful and align with the business model. The table below lists the number of transactions in the current quarter compared to the corresponding quarter last year and in each of the past three fiscal years, noting that seasonality generally results in higher demand for foreign currency from March through September and lower from October through February:

	Banknotes					Payments		
Fiscal year/quarter	Company-owned branches	Agents	Financial institutions	All others	**Total**	Financial institutions	Corporate clients	**Total**
2022	321,235	266,105	507,505	86,727	1,181,572	119,511	17,027	136,538
2023	426,296	456,327	763,489	106,129	1,752,241	132,224	20,645	152,869
2024	442,332	481,008	870,038	176,547	1,969,925	157,810	24,568	182,378
Q1-2024	92,614	84,630	136,061	39,327	352,632	37,004	5,442	42,446
Q1-2025	96,020	81,676	151,822	42,657	372,175	43,084	6,310	49,394

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 the costs of deployed capital in the form of domestic and foreign currencies, rent, payroll, and other general and administrative costs. Company-owned branch locations generate a significant amount of revenue from the exchange of foreign currency, whereas CXI is generally a net seller of currencies to its bank and non-bank clients. Excess currency collected via the branch network can be redeployed to financial institutions and non-bank clients, which reduces the need to source currency through wholesale sources at a greater cost, thus increasing currency margins.

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

As of January 31, 2025, the Company had 40 company-owned branch locations across the United States, as outlined below:

Locations	City	State	Opened	Locations	City	State	Opened
Florida Mall	Orlando	FL	2007	Apple Bank – Upper East Side	New York	NY	2014
Ontario Mills Mall	Ontario	CA	2007	Cherry Creek	Denver	CO	2014
Potomac Mills Mall	Woodbridge	VA	2007	Citadel Outlets	Los Angeles	CA	2014
Sawgrass Mills Mall	Sunrise	FL	2007	Tyson's Corner Center	Tyson's Corner	VA	2014
Aventura Mall	Aventura	FL	2008	Garden State Plaza	Paramus	NJ	2015
Copley Place Mall	Boston	MA	2009	Mission Valley	San Diego	CA	2015
Dadeland Mall	Miami	FL	2009	The Orlando Eye (Icon Park)	Orlando	FL	2015
Dolphin Mall	Miami	FL	2009	International Market Place	Honolulu	HI	2016
MacArthur Mall	Norfolk	VA	2009	North County	Escondido	CA	2017
Apple Bank – Avenue of Americas	New York	NY	2011	Alderwood Mall	Lynnwood	WA	2019
Apple Bank – Grand Central	New York	NY	2011	Pearl Ridge	Aiea	HI	2019
San Francisco City Center	San Francisco	CA	2011	South Coast Plaza	Costa Mesa	CA	2020
San Jose Great Mall	San Jose	CA	2011	Stanford Shopping Center	Palo Alto	CA	2022
Arundel Mills Mall	Hanover	MD	2012	Century City Mall	Los Angeles	CA	2022
Santa Monica Place	Santa Monica	CA	2012	Town Center at Boca Raton	Boca Raton	FL	2022
SouthCenter	Tukwila	WA	2012	Jersey Gardens	New Jersey	NJ	2023
Apple Bank – Penn Station	New York	NY	2013	King of Prussia Mall	Pennsylvania	PA	2023
Mainplace at Santa Ana	Santa Ana	CA	2013	Orlando International Airport	Orlando	FL	2023
Montgomery at Bethesda	Bethesda	MD	2013	Burlington Mall	Burlington	MA	2024
Shops at Northbridge	Chicago	IL	2013	Lenox Square	Atlanta	GA	2024

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 15 states. 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.

The following table lists the number of retail locations by category and the number of United States in which the Company's OnlineFX platform operated as of January 31, 2025, and at the end of each of the five preceding fiscal years:

	2019	2020	2021	2022	2023	2024	**Q1 2025**
Company-owned branch locations	46	35	35	37	38	40	40
Airport agent locations	-	7	18	23	45	47	46
Non-airport agent locations	38	47	62	161	235	225	225
States/district in which OnlineFX operates	-	22	31	38	40	44	45

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

The Company's largest asset is cash. The cash position consists of local currency banknotes, both in United States 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 currency transactions at various financial institution 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 receivable 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*:

Reported results							Adjusted results based on non-recurring items **	
Three-month period ended	Revenue	Net operating income	Net (loss) income	Earnings/ (loss) per share (diluted)	Total assets	Total equity	Adjusted net income	Adjusted earnings per share (diluted)
	$	$	$	$	$	$	$	$
1/31/2025	19,891,439	2,976,060	812,530	0.12	123,115,193	79,446,877	1,092,648[1]	0.17
10/31/2024	23,049,079	2,871,128	(2,817,897)	(0.45)	131,161,584	79,392,355	2,780,445[2]	0.42
7/31/2024	23,993,252	6,747,390	3,935,350	0.59	163,224,374	83,103,393	4,644,984[3]	0.69
4/30/2024	20,095,168	3,818,275	506,522	0.08	159,910,390	79,940,478	1,936,375[4]	0.29
1/31/2024	18,106,918	2,247,267	849,874	0.13	133,780,438	80,520,993	849,874	0.13
10/31/2023	22,786,072	5,818,667	2,303,822	0.34	132,049,444	79,232,981	2,303,822	0.34
7/31/2023	23,587,589	6,438,354	4,056,478	0.60	129,643,409	77,590,126	4,056,478	0.60
4/30/2023	18,694,919	3,743,069	2,243,708	0.33	134,697,253	73,104,851	2,243,708	0.33

*Certain historical numbers in this table have been restated to conform with the numbers presented in the current period's financial statements.
**These are non-GAAP financial metrics. For further details, refer to the key performance and non-GAAP financial measures section on page 15.
[1]The adjusted net income difference ($280,118) reflects regulatory compliance charges in Q1 of 2025.
[2]The adjusted net income difference ($5,598,342) collectively reflects the impairment loss, regulatory compliance charges and non-recurring tax items in Q4 of 2024.
[3]The adjusted net income difference ($709,634) reflects the regulatory compliance charges estimated in Q3 of 2024.
[4]The adjusted net income difference ($1,429,853) reflects EBC's deferred tax asset adjustment in Q2 of 2024.

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

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

The Company previously 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's key pillars are as follows:

i. Increase market penetration in the Direct-to-Consumer business in the United States by leveraging the agency model, OnlineFX platform and driving revenue growth at company-owned branches;
ii. Increase its banknote market 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 and the United States by leveraging system integration advantage; and
v. Optimize infrastructure to support significant growth in transactional volumes and a matrix organizational structure.

The Company reviews the strategy annually and monitors its progress quarterly. The Company's strategic initiatives may be revised periodically to accommodate shifts in the market and the strategic priorities as approved by the Board of Directors. On February 18, 2025, the Company announced its decision to cease the operations of its wholly owned subsidiary Exchange Bank of Canada with an initial estimate of ceasing operations by the end of 2025, subject to regulatory approvals. The implications of exiting the Canadian market remain under review as of the date of this report, however the Company anticipates higher returns once the exit process is complete. The Company also anticipates changes to its strategic key pillars as noted previously, specifically related to initiatives in Canada. This is because it will be able to reallocate its positive cash flows from operations in the United States to expand other areas of the business, rather than diverting cash flow to support loss-making Canadian operations.

Summary of the results of operations for the three-month periods ended January 31, 2025 and 2024

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024	Change	Change
	$	$	$	%
Revenue	19,891,439	18,106,918	1,784,521	10%
Operating expenses	16,915,379	15,859,651	1,055,728	7%
Net operating income	**2,976,060**	**2,247,267**	**728,793**	32%
Other income, net	118,932	86,645	32,287	37%
EBITDA*	**3,094,992**	**2,333,912**	**761,080**	33%
Net income	**812,530**	**849,874**	**(37,343)**	-4%
Basic earnings per share	0.13	0.13	-	-
Diluted earnings per share	0.12	0.13	(0.01)	-8%
Adjusted EBITDA**	**3,375,110**	**2,333,912**	**1,041,198**	45%
Adjusted net income**	**1,092,648**	**849,874**	**242,774**	29%
Adjusted basic earnings per share**	0.17	0.13	0.04	31%
Adjusted diluted earnings per share**	0.17	0.13	0.04	31%

*Earnings before interest, taxes, depreciation and amortization (EBITDA)

**These are non-GAAP financial metrics. For further details, refer to the key performance and non-GAAP financial measures section on page 15.

The Company generated revenue of $19,891,439 for the three-month period ending January 31, 2025, a 10% increase from the same period in the prior year. The revenue increase over the comparable period was driven by a growth in both product lines across the United States and Canada, primarily due to the addition of new customers and an increased demand for investment currencies during the current quarter.

Compared to the fourth quarter of 2024, revenue decreased by $3,157,640 or 14%, as demand for foreign currency decreased consistently with the seasonality and the Company's cyclical pattern (this quarterly decline is in line with the same periods last year, when revenue decreased in the fourth quarter by $4,679,154 or 21%). The top five currencies by revenue in the current quarter were Euro (EUR), the U.S. Dollar (USD), Mexican Peso (MXN), Iraqi Dinar (IQD) and Canadian Dollar (CAD) compared to the U.S. Dollar (USD), Euro (EUR), Canadian Dollar (CAD), Mexican Peso (MXN), and British Pound Sterling (GBP) in the prior period's quarter.

The 10% growth in revenue was primarily due to growth in the Wholesale Banknotes business of $1,004,134, followed by growth in the Payments and Direct-to-Consumer business of $453,308 and $327,079, respectively. Revenue in the United States increased by $1,271,719, or 9% over last year, while in Canada it increased by $512,802, or 13%. Operating expenses increased by $1,055,728, or 7%. The Company reported net operating income of $2,976,060 in the current quarter, 32% higher than the $2,247,267 reported last year as a result of revenue growth surpassing the increase in operating expenses. Overall, the Company reported a net income of $812,530 for the current quarter, compared to net income of $849,874 for the same period last year. Despite the growth in revenue and net operating income, net income was 4% lower than last year due to the higher income tax provision recognized during the current quarter as illustrated further below on page 13.

The Company uses a combination of both reported results and adjusted results based on certain non-GAAP financial measures metrics to measure its performance, as illustrated in the beginning of this document. The Company believes that adjusted results offer a more consistent method for comparing performance across different reported periods. From a non-GAAP financial metrics perspective, adjusted EBITDA and adjusted EBITDA margin percentage for the current period were $3,375,110 and 17% compared to $2,333,912 and 13%, indicating an improvement over the prior period.

Adjusted net income grew by $242,774 or 29% compared to the same period last year to $1,092,648 in the current quarter, comprising $1,664,815 of adjusted net income in the United States and $572,167 of adjusted net loss in Canada. This compares to an adjusted net income of $849,874 in the prior quarter, which comprised of $2,035,956 of adjusted net income in the United States and $1,186,082 of adjusted net loss of in Canada. For further details about the non-GAAP metrics, including a reconciliation, refer to the key performance and non-GAAP financial measures section below on page 15.

The Company continued its progression towards its strategy in the three-month period ended January 31, 2025, that included the following highlights:

i. Continued its growth in Direct-to-Consumer market through its network of company-owned locations, agent relationships and in states where the Company operates its OnlineFX platform. During the first quarter of 2025, the Company added the State of Nebraska to its OnlineFX platform network, now operating in 44 states- in addition to the District of Columbia- in which the Company provides its services through the OnlineFX platform. The Company's business trading volume in the fourth quarter was $80 million compared to $78 million in the same quarter last year;

ii. Increased its banknote market penetration into the financial institution sector in the United States, with the addition of 70 new clients in the first quarter. The Company's banknote business trading volume in the fourth quarter represented $1.88 billion compared to $1.63 billion in the same quarter last year;

iii. Continued its transaction growth in the International Payments product line in both the United States and Canada. The Company processed 40,501 payment transactions, representing $2.03 billion in business trading volume in the first quarter, compared to 35,618 payment transactions on $1.53 billion of business trading volume in the same quarter last year, primarily due to the year over year growth in the United States.

The Company remained well capitalized at $79.4 million of equity 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 supports its strategic plan. Refer to the Liquidity and Capital Resources section for further information. The combination of a strong 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 in the United States that include the organic and inorganic acquisition of new clients in both the Banknotes and Payments product lines.

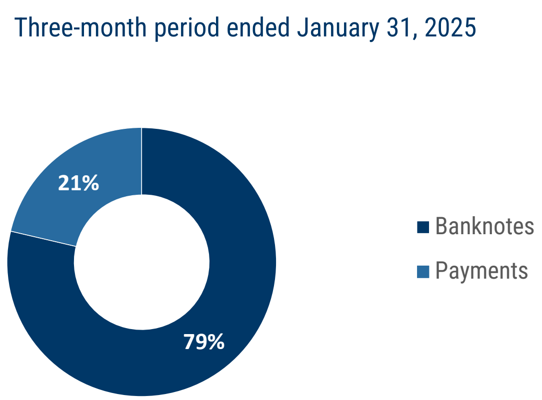
(All amounts are expressed in U.S. Dollars unless otherwise noted)

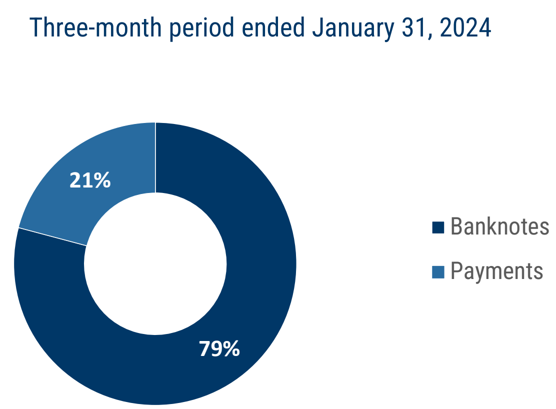
	As of January 31, 2025	As of October 31, 2024
	$	$
Total assets	123,115,193	131,161,584
Total long term financial liabilities	7,370,250	7,110,014
Total equity	79,446,877	79,392,355

Revenue analysis for the three-month periods ended January 31, 2025 and 2024 by product line and geographic location

Revenue by Product Line

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024	Change	Change
	$	$	$	%
Banknotes	15,658,275	14,327,062	1,331,213	9%
Payments	4,233,164	3,779,856	453,308	12%
Total	**19,891,439**	**18,106,918**	**1,784,521**	**10%**





Revenue by Product Line

<u>Banknotes</u>

Revenue in Banknotes grew in both Wholesale and Direct-to-Consumer and increased by $1,331,213 in the first quarter, compared to the prior period due to strong consumer demand for foreign currencies during the three-month period as international travel levels remained strong within the United States. Between November 2024 and January 2025, approximately 215 million travelers passed through TSA check points in United States airports, 14 million, or 7% more compared to last year.

Wholesale Banknotes revenue increased by $1,004,134, or 12% as business trading volumes based on Wholesale Banknotes revenue was $1.88 billion for the current three-month period compared to $1.63 billion for the prior period with increased volumes from domestic and international financial institutions customers as well as money service businesses. Overall, Wholesale Banknotes accounted for 47% of total revenue in the current three-month period, compared to 45% for the same period last year.

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

Direct-to-Consumer Banknotes revenue increased by $327,079, or 5%, as the Company continued to capitalize on its market share through its diversified delivery channels including the OnlineFX platform, company-owned branches and agent relationships. Growth in the current quarter was primarily driven by OnlineFX revenue which continued to grow with the Company's recent network expansions. During the first quarter of 2025, the Company added the State of Nebraska to its network and the OnlineFX platform can now service 45 states including the District of Columbia; four additional states compared to the same time last year. The Company maintained revenue levels via the other two delivery channels: company-owned branch locations and agent relationships. Business trading volumes based on total Direct-to-Consumer Banknotes revenue was $80 million for the current three-month period compared to $78 million for the prior period. The company-owned branches continued to grow as the new locations are maturing and contributed to overall growth over the last year, however growth in these locations was partially offset by volume declines in some of the low performing locations. The Company continues to closely monitor all company-owned locations to ensure they operate at their maximum profit margin to allow these locations to drive business growth. Overall, Direct-to-Consumer Banknotes revenue remained a growing business with its diversified delivery channels during the current quarter. Direct-to-Consumer revenue represented 32% of the total revenue in the current three-month period, compared to 34% in the same period in 2024.

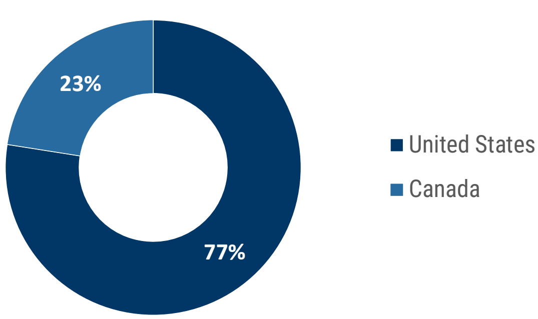
Payments

Revenue in the Payments product line increased by $453,308, or 12% in the three-month period ended January 31, 2025, compared to the prior period, supported by a 33% increase in trading volume activity from existing financial institution customers and the onboarding of new customers in both regions. Business trading volumes based on Payments revenue for the Group were $2.03 billion for the current quarter compared to $1.53 billion for the prior period. Payments revenue represented 21% of total revenue for both the current and the prior three-month period.

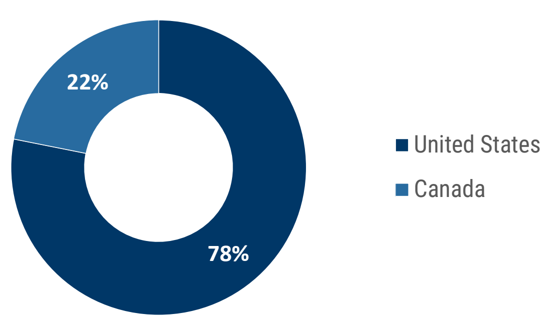
Revenue by Geographic Location

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024	Change	Change
	$	$	$	%
United States	15,412,739	14,141,020	1,271,719	9%
Canada	4,478,700	3,965,898	512,802	13%
Total	**19,891,439**	**18,106,918**	**1,784,521**	**10%**

Three-month period ended January 31, 2025



Three-month period ended January 31, 2024



Revenue by Geographic Location

United States

Revenue in the United States increased 9% compared to last year primarily due growth in both Banknotes and Payments business as Wholesale Banknotes grew by $529,708, or 9%, followed by $414,932, or 18% growth in Payments and $327,079, or 5% growth in Direct-to-Consumer Banknotes. The increase in Wholesale Banknotes was driven by both domestic and international financial institutions' customers, although the majority of the growth was attributed to domestic financial institutions' customers. Payments revenue continued to grow in the current quarter as business trading volumes grew 40% over the same period last year as highlighted previously, which reflected increased activity with both existing and new customers. Direct-to-Consumer revenue growth was primarily driven by increased consumer demand for investment currencies through the Company's OnlineFX platform. Overall, revenue in the United States increased by $1,271,719, or 9% compared to the prior period, and accounted for 77% of total revenue by geographic location in the current quarter, compared to 78% in the same period in 2024.

Canada

Revenue in Canada increased by 13% in the first quarter compared to last year driven by $474,426, or 19% growth in Banknotes revenue and $38,376, or 3% growth in Payments revenue. The growth in Banknotes business experienced a 27% increase in trading volumes. This was evidenced by a significant rise in activity among money service businesses, and a similar, though less pronounced, increase in activity among domestic financial institutions. Demand for travel currencies increased during the quarter due to the increased travel level to the Caribbean destinations around the holidays. Further, international customers' volumes grew due to the strengthening U.S. dollar. The Payments business grew with 871 active customers at January 31, 2025 compared to 809 active customers at January 31, 2024. Overall, the revenue in Canada represented a 23% share of total revenue by geographic location in the current three-month period, compared to 22% in the same period in 2024.

Operating Expenses

During the three-month period ending January 31, 2025, the Company's operating expenses increased $1,055,728, or 7% compared to the same period last year. Variable costs within operating expenses, represented by postage and shipping, bank service charges, sales commissions and incentive compensation totaled $4,321,049 in the current quarter compared to $4,213,777 in the three-month period ended January 31, 2024, a 3% increase attributable to shipping costs and bank service charges which both increased commensurate with the growth in revenue. The ratio comparing total operating expenses to total revenue for the three-month period ended January 31, 2025 improved to 85% compared to 88% for the three-month period ended January 31, 2024.

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

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

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024	Change	Change
	$	$	$	%
Salaries and benefits	9,234,223	9,551,845	(317,622)	-3%
Postage and shipping	2,195,970	2,028,360	167,610	8%
Legal and professional	1,212,369	669,344	543,025	81%
Information technology	959,642	943,472	16,170	2%
Bank service charges	694,156	545,815	148,341	27%
Foreign exchange losses (gains)	676,402	(37,514)	713,916	>100%
Rent	579,858	518,886	60,972	12%
Insurance, taxes and licensing	415,314	302,875	112,439	37%
Losses and shortages	369,377	155,629	213,748	>100%
Marketing and publicity	307,358	155,878	151,480	97%
Travel and entertainment	150,102	156,023	(5,921)	-4%
Stock based compensation	(74,202)	681,625	(755,827)	<100%
Other general and administrative	194,810	187,413	7,397	4%
Operating expenses	**16,915,379**	**15,859,651**	**1,055,728**	**7%**

Salaries and benefits expense decreased when compared to the prior year, mostly driven by a decline in headcount in Canada, as the Group's headcount decreased from 406 on January 31, 2024 to 397 on January 31, 2025.

Legal and professional expenses increased primarily due to legal and advisory costs associated with EBC's regulatory compliance requirements. Refer to key performance and non-GAAP financial measures section for additional details on page 15.

Bank service charges primarily reflect the increase in the number of payments and checks transactions processed in the current quarter. The Company processed 40,501 payment transactions compared to 35,618 payment transactions in the prior year.

Foreign exchange losses (gains) represent the net result of foreign currency exchange transactions 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. Mexican Peso volatility was the largest contributor to net foreign exchange losses for the three-month period ended January 31, 2025.The prior year was impacted by gains realized on unhedged currencies. Refer to the Foreign Currency Risk section in this document.

Insurance, taxes and licensing increased primarily due to an increase in the HST accrual estimate in EBC.

Losses and shortages typically represent shipments lost in transit that the Company self-insures in addition to several other losses incurred in the normal course of business. In the current quarter, the Company incurred a bad debt loss related to a fraudulent transaction in the amount of $182,342.

Marketing and publicity increased as a result of marketing initiatives and programs including campaigns that support growth in the Company's OnlineFX portal in addition to other areas of the Company's business.

Stock based compensation includes the non-cash amortization expense related to the vesting of the Company's equity-based stock options in addition to the cash-based awards represented in Restricted Stock Unit (RSU) and Deferred Stock Unit (DSU) awards. The liability from the DSU and RSU awards is adjusted to reflect the closing stock price at the end of each quarter as required by IFRS. During the current quarter, there was an expense reversal in the amount of $175,202 related to outstanding DSU and RSU awards, as a result of a decline in the stock price. This compares to an expense of $561,747 for the DSU and RSU awards during the same period last year.

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

Other income and expenses are comprised of the following:

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024
	$	$
Depreciation of right-of-use assets	476,522	458,905
Depreciation and amortization	395,141	419,269
Interest expense	167,001	148,984
Interest on lease liabilities	100,207	40,086
Interest revenue	(118,932)	(86,645)
Income tax expense	1,143,591	416,794
Total other expenses	**2,163,530**	**1,397,393**

Depreciation of right-of-use assets increased primarily due to the opening of the new vault location in Louisville, Kentucky, however, was partially offset by a discontinuance of the right-of-use assets' depreciation in Canada due to the impairment of these assets at the end of fiscal 2024.

Depreciation and amortization of property and equipment decreased in the current quarter compared to the prior quarter due to the discontinuance of property and equipment' depreciation and intangible assets' amortization in Canada due to impairment of these assets at the end of 2024 fiscal year, partially offset by increase in internally developed software and leasehold improvements in the United States.

Interest expense increased as a result of an increase in average borrowing utilized related to funding EBC's short-term working capital needs. The average outstanding borrowings by the Company amounted to $6,226,298 during the first quarter, compared to $5,541,792 during the same period last year. The average interest rate on borrowing was 8.7% compared to 8.6% for the same period last year.

Interest revenue for the period was primarily from interest earned on interest bearing bank accounts in the normal course of business.

Income tax expense in the current quarter is related to the United States Region. It primarily reflects an effective tax rate of 41% where the majority of the increased expense above the statutory rate was related to a deferred tax benefit from stock based compensation (stock option awards) which was impacted by the decline in the share price during the quarter and accounted for a 10% portion of the effective tax rate. The rest of the increase was related to permanent items as well as other non-deductible differences.

Cash Flows

Cash flows from operating activities during the three-month period ended January 31, 2025, resulted in an outflow of $7,088,306 compared to an inflow of $24,318,538 during the three-month period ended January 31, 2024. The accounts receivable and accounts payable balances fluctuate due to the volume of activity and timing of transaction settlements. In most instances, accounts receivable and accounts payable have a settlement cycle of 24 to 48 hours. Excluding changes in working capital, operating cash flow generated by commission and fee income, adjusted for operating expenses, was an inflow of $2,753,582 for the three-month period ended January 31, 2025, versus an inflow of $2,826,467 in the same period last year.

Cash flows from investing activities during the three-month period ended January 31, 2025, resulted in an outflow of $415,628 compared to an outflow of $280,542 during the same period last year, which were mainly related to leasehold improvements and the continuous development of internally developed software.

Cash flows from financing activities during the three-month period ended January 31, 2025, resulted in an outflow of $631,773 compared to an outflow of $11,597,127 during the same period last year. The large outflow last year was related to the Company's repayment of one of its lines of credit.

Financial Results by Region

The following table provides a summary of the Company's selected financial results by region, all numbers are in U.S. Dollars:

United States

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024
Reported results	$	$
Revenue	15,412,739	14,141,020
Revenue growth (year-over-year)	*9%*	*22%*
Operating expenses	11,781,447	11,119,316
EBITDA	**3,662,035**	**3,054,734**
Net income	**1,664,815**	**2,035,956**
Efficiency ratio *	76%	79%
EBITDA margin**	24%	22%

*Efficiency ratio is a non-GAAP financial measure and is calculated as operating expenses divided by total revenue.

**EBITDA margin is a non-GAAP financial measure and is calculated as EBITDA divided by total revenue.

United States Summary

Revenue in the United States grew by 9% as compared to the same period the prior year by leveraging diversified revenue streams. Effective expense management in the current quarter contributed to improved operating efficiencies.

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

Canada

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024
Reported results	$	$
Revenue	4,478,700	3,965,898
Revenue growth (year-over-year)	*13%*	*-25%*
Operating expenses	5,133,932	4,740,335
EBITDA	**(567,043)**	**(720,822)**
Net loss	**(852,285)**	**(1,186,082)**
Efficiency ratio *	>100%	>100%
EBITDA margin**	-13%	-18%
Adjusted results* **		
Operating expenses - adjusted	4,853,814	**4,740,335**
EBITDA - adjusted	**(286,925)**	**(720,822)**
Net loss - adjusted	**(572,167)**	**(1,186,082)**
Efficiency ratio - adjusted	>100%	>100%
EBITDA margin - adjusted	-6%	-18%

*Efficiency ratio is a non-GAAP financial measure and is calculated as operating expenses divided by total revenue.

**EBITDA margin is a non-GAAP financial measure and is calculated as EBITDA divided by total revenue.

***These are non-GAAP financial metrics. For further details, refer to the key performance and non-GAAP financial measures section below.

Canada Summary

In Canada, the Bank's revenue increased by 13% driven by growth in both Payments and Banknotes product lines. Operating expenses rose primarily due to advisory costs associated with a one-time regulatory compliance charge incurred in the second half of last year. Despite the increased advisory costs, operating results improved compared to the same period the prior year. When excluding these costs, the Bank's operating results improved considerably in the current quarter. The Company announced on February 18, 2025, a strategic decision to discontinue operations of the Bank. This will allow the allocation of positive cash flows from operations in the United States to expand other areas of the business, rather than diverting cash flows to support loss-making Canadian operations. In connection with the cessation of the Bank's operations and discontinuation, certain -time costs will be incurred, primarily over the next six months, largely driven by restructuring, vendor termination fees, severance obligations, professional fees and other related charges. Refer to "Forward-looking Statements".

Key Performance and non-GAAP financial measures

The Company measures and evaluates the performance of the consolidated operations and each of its product lines using a number of financial metrics, such as net income and return on equity (ROE). Certain financial metrics 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 non-GAAP financial results, metrics, and ratios may not be comparable to similar metrics used by other companies.

We believe that certain non-GAAP financial measures and ratios are more reflective of the Company's consolidated operating results and provide the readers with a better understanding of management's perspective on the Company's performance. These measures improve the comparability of the financial performance for the three-month period ended January 31, 2025 with the results from the prior period. The table on the following page describes the non-GAAP financial measures that are used in evaluating operating results in this MD&A.

Adjusted results

The Company believes that providing adjusted results as well as certain measures and ratios excluding the impact of the specified items discussed on page 17 enhances comparability with the prior year and enables the readers to better assess trends. As such, the results for the current reported three-month period ended January 31, 2025 were adjusted for third-party advisory costs of $280,118 related to a non-recurring administrative monetary penalty imposed on EBC in the prior year. These were included within legal and professional fees within operating expenses.

The following page includes a reconciliation of reported results to adjusted results. The reconciliation illustrates the calculation of the adjusted non-GAAP financial measures and ratios.

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

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024
	$	$
Revenue	19,891,439	18,106,918
Operating expenses	16,915,379	15,859,651
EBITDA	**3,094,992**	**2,333,912**
Income before income tax	1,956,121	1,266,668
Net income	**812,530**	**849,874**
Basic earnings per share	0.13	0.13
Diluted earnings per share	0.12	0.13
ROE (annualized)	3%	12%
Effective income tax rate	58%	33%
Adjusting items' impact on net income		
Specified item: Regulatory compliance charges	*280,118*	-
Adjusted results		
EBITDA – adjusted	**3,375,110**	**2,333,912**
Income before income tax – adjusted	2,236,239	1,266,668
Income taxes – adjusted	1,143,591	416,794
Net income – adjusted	**1,092,648**	**849,874**
Basic earnings per share – adjusted	0.17	0.13
Diluted earnings per share – adjusted	0.17	0.13
ROE (annualized) – adjusted	12%	12%
Effective income tax rate – adjusted	51%	33%
Efficiency ratio – adjusted		
Revenue	19,891,439	18,106,918
Operating expenses	16,915,379	15,859,651
Specified item: Regulatory compliance charges	*280,118*	-
Operating expenses – adjusted	16,635,261	15,859,651
Efficiency ratio	85%	88%
Efficiency ratio – adjusted	84%	88%

Liquidity and Capital Resources

On January 31, 2025, the Company had net working capital of $73,634,947 compared to $73,849,764 at October 31, 2024.

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 extended the maturity on the facility to June 15, 2025. The Company updated the agreement on June 27, 2024, in the form of a Third Amended and Restated Credit Agreement to accommodate a Normal Course Issuer Bid (NCIB) up to $4 million annually. The amended agreement restricts the amount of NCIB that can be performed annually through covenants tied to minimum measures of tangible net worth and net income. This covenant is tested annually but is assessed quarterly on a pro-forma basis to ensure compliance. The amended agreement eliminates the resting period on the intercompany loan and extends the maturity on the facility to June 15, 2026. The credit line is secured against the Company's cash and other assets and bears interest at the one month Secured Overnight Financing Rate (SOFR) plus 2.25% (4.34% at January 31, 2025 and 5.34% at October 31, 2024). At January 31, 2025, the balance outstanding was $401,518 (October 31, 2024, $Nil).

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 ($1,378,027), payable on demand, and being secured against cash collateral of CAD 2,000,000 ($1,378,027). On April 25, 2023, EBC amended this facility reducing the revolving line of credit to CAD 500,000 ($344,507), payable on demand, and being secured against cash collateral of CAD 500,041 ($344,535). The line of credit bears interest at the Canadian Prime Rate plus 0.25% (5.20% at January 31, 2025 and 5.95% at October 31, 2024). At January 31, 2025, the balance outstanding was $Nil (October 31, 2024, $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 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 January 31, 2025, was $4,823,096 (October 31, 2024, $5,032,894).

The Company had available unused lines of credit amounting to $45,119,893 at January 31, 2025 (October 31, 2024, $45,326,599).

The Company's cash balances consist of banknote inventory in vaults, in transit, on consignment, at tills in Company locations, and in operating cash in the Company's bank accounts. The Company maintains sufficient levels of inventory in vaults and company locations to satisfy anticipated customer demand. Inventory levels are calibrated at optimal levels to accommodate seasonal demand and turnover cycles. Banknote inventory fluctuates with seasonal demand for travel currencies, which typically coincides with peak travel seasons for the United States and Canada. Increases in inventory may coincide with increased net working capital borrowing requirements for the Company. The Company facilitates this requirement through its access to revolving lines of credit with its primary lenders. The Company manages inventory levels within approved thresholds to align with prudent liquidity risk management objectives established in the Company's Liquidity Risk Management Policies. Operating cash balances correspond largely to offsetting holding account balances and accounts payable. Certain customers of the Company's Banknotes and Payments product lines settle transactions using a holding account, from which funds are cleared and dispersed for final settlement with the customer. Holding account balances are not always cleared on the value date of the transaction. This results in excess cash in the Company's operating bank accounts on the condensed interim consolidated statements of financial position. Accounts payable are largely offset by bank account balances, which are prefunded to facilitate the settlement of outgoing international wires in foreign currency on behalf of the Company's customers. After considering the impact of holding account balances and accounts payable, the Company's excess operating cash balances may vary and are used to manage the Company's credit facilities and capital structure requirements.

Through access to an intercompany loan facility with CXI, EBC has adequate liquidity to facilitate an orderly discontinuation of operations. EBC projects that all third party and credit obligations would be settled in an orderly manner, which include certain one-time costs to be incurred primarily over the next six months, largely driven by restructuring, vendor termination fees, severance obligations, professional fees and other related charges. Refer to "Forward-looking Statements". Upon satisfying all obligations, EBC will utilize its remaining working capital to close outstanding balances on its intercompany loan with CXI. EBC is projected to have sufficient working capital until it ceases operations.

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 the Company's sales, are excluded from the initial measurement of the lease liability and asset. During the year certain leases for corporate offices were modified based on their amended lease agreements, with any gains or losses being recognized in profit or loss. 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-cancellable 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 to 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	4 years	5	1	-	-	-
Corporate offices	6	1-12 years	3	2	-	-	-
Retail store locations	23	0-5 years	2	-	-	-	-
Total	**30**	**0-12 years**	**2**	**3**	-	-	-

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

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at January 31, 2025, were as follows:

	Within 1 Year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Lease payments	2,030,090	1,684,994	1,308,335	906,053	521,572	2,848,533	**9,299,577**
Finance charges	375,158	297,672	238,992	191,597	160,107	538,985	**1,802,511**
Net present values	**1,654,932**	**1,387,322**	**1,069,343**	**714,456**	**361,465**	**2,309,548**	**7,497,066**

Selected Annual Financial Information

The following table sets out selected consolidated financial information about the Company for the years 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, 2024	Year ended October 31, 2023	Year ended October 31, 2022	Year ended October 31, 2021	Year ended October 31, 2020
	$	$	$	$	$
Revenue	85,244,417	81,954,769	67,498,673	30,565,660	25,013,423
Net operating income (loss)	15,684,060	18,734,249	18,721,473	(48,929)	(3,985,791)
Net income (loss)	2,473,849	10,193,507	11,783,124	(1,131,684)	(8,524,029)
Basic earnings (loss) per share	0.39	1.59	1.83	(0.18)	(1.33)
Diluted earnings (loss) per share	0.38	1.52	1.78	(0.18)	(1.33)
Total assets	131,161,584	132,049,444	125,528,832	102,982,531	85,758,518
Total liabilities	51,769,229	52,816,463	56,223,323	44,966,732	27,528,783
Non-current financial liabilities	7,110,014	2,719,288	4,163,543	3,679,493	4,065,164
Working capital	73,849,764	70,146,433	60,378,879	49,880,879	47,755,694

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

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 January 31, 2025 was $521,347 (October 31, 2024, $404,918).

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

At January 31, 2025 the Company had cash collateral balances related to forward contracts being held of $5,339,816 (October 31, 2024, $2,880,207). 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, refer to Note 3 in the audited consolidated financial statements for the years ended October 31, 2024 and 2023.

Transactions with Related Parties

The remuneration of directors and key management personnel during the three-month periods ending January 31, 2025 and 2024 were as follows:

	Three-month period ended January 31, 2025	Three-month period ended January 31, 2024
	$	$
Short-term benefits	1,199,732	1,383,664
Post-employment benefits	47,675	58,443
Stock based compensation	97,365	117,668
Restricted and Deferred Share Units	(175,201)	561,747
Total	**1,169,571**	**2,121,522**

The Company incurred legal and professional fees in the aggregate of $31,125 for the three-month period ended January 31, 2025 (January 31, 2024, $37,201) 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 $117,490 in revenue from these clients' activities for the three-month period ending January 31, 2025 (January 31, 2024, $49,912). As of January 31, 2025, accounts receivable included $Nil from related parties (January 31, 2024, $Nil).

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 Bank, N.A., is repayable on demand, and is unsecured. At January 31, 2025, the intercompany loan balance was $11,053,137 (October 31, 2024, $8,640,646) and was eliminated upon consolidation.

Key management personnel and directors occasionally conduct transactions with the Company as individuals. Such transactions are immaterial individually and in total, including for the three-month periods ending January 31, 2025 and 2024, and are conducted pursuant to the Company's policies.

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

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

Stock Option Grants

The Company offers an incentive stock option plan (the Plan) which was established on April 28, 2011 and was amended most recently March 23, 2023. The Plan is a rolling stock option plan, under which 15% of the outstanding shares at any given time are available for issuance thereunder. The purpose of the Plan is to promote the profitability and growth of the Company by facilitating the efforts of the Company to attract and retain directors, senior officers, employees, and management. Under the terms of the Plan, vesting for the Company's directors and management will occur 1/3 upon the first anniversary, 1/3 upon the second anniversary, and 1/3 upon the third anniversary of the grant. All the options have a five-year term, unless otherwise specified by the Board of Directors.

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 (USD)
23-Oct-19	23-Oct-24	17.03	130,834	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	194,914	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	112,049	1.16%	22%	14.35	2.57
28-Apr-22	28-Apr-27	17.44	20,000	2.81%	21%	18.10	3.16
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	111,419	3.73%	37%	18.37	4.34
30-Oct-23	29-Oct-28	18.20	89,004	4.37%	36%	20.07	4.70
30-Oct-24	29-Oct-29	19.08	80,152	3.04%	29%	25.89	4.52

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

The outstanding stock options at January 31, 2025, and the respective changes during the period are summarized as follows:

	Number of options	Weighted average price
	#	CAD$
Outstanding at October 31, 2024	**799,040**	**16.35**
Granted	-	-
Exercised	(10,385)	16.46
Expired	-	-
Forfeited/cancelled	-	-
Outstanding at January 31, 2025	**788,655**	**16.35**

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

The following options were outstanding and exercisable at January 31, 2025:

Grant Date	Exercise price (CAD$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
23-Oct-19*	$17.36	130,834	-	130,834
24-Jun-20	$12.74	22,662	0.39	22,662
29-Jul-20	$10.83	18,000	0.49	18,000
29-Oct-20	$10.83	194,914	0.74	194,914
28-Jan-21	$11.02	3,873	0.99	3,873
28-Oct-21	$14.35	112,049	1.74	112,049
28-Apr-22	$18.10	20,000	2.24	13,334
21-Sep-22	$18.93	5,748	2.64	3,833
31-Oct-22	$18.37	111,419	2.75	74,410
30-Oct-23	$20.07	89,004	3.75	29,671
30-Oct-24	$25.89	80,152	4.75	-
Total		**788,655**		**603,580**

*The term of this grant lapsed on October 23, 2024, however the expiry date occurred during an ongoing blackout period, therefore the term of this grant was extended to 10 business days following the end of the blackout period in accordance with the terms of the Company's stock option plan.

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 were approved by the shareholders on March 25, 2020.

During the three-month period ending January 31, 2025, the Company did not grant stock option awards. Also, a total number of 10,385 stock options were exercised, out of which 8,012 options were cancelled as consideration in lieu of cash by participants who elected to exercise their options without paying cash proceeds. Accordingly, the Company issued 2,373 shares on settlement and there were no cash proceeds received. During the three-month period ended January 31, 2025, the Company recognized $101,000 of stock based compensation expense in relation to employees' stock option awards that have vested during the period (January 31, 2024, $119,878).

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, 2024, the Company made an annual DSU award under the Deferred Share Unit (DSU) Plan. The Company granted 2,179 DSU awards in the amount of $40,000. In the three-month period ended January 31, 2025, the Company recognized a net expense reversal of stock based compensation in the amount of $175,202 related to DSUs and RSUs, out of which an expense reversal of $229,273 was related to DSUs and an expense of $54,071 was related to RSUs. This compares to $561,747 expense in the prior year, out of which $333,931 was related to DSUs and $227,816 was related to RSUs. The liability amounts related to the vested portions of granted RSU and DSU awards are recorded within other long-term liabilities in the condensed interim consolidated statements of financial position. The liability from these awards as of January 31, 2025 amounted to $1,526,721 (October 31, 2024, $2,066,192). 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 units awarded are issued based upon the market value equal to the price of the Company's stock price as of the date of the grant and vest over one-year or three-year periods.

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

Share Capital

As of January 31, 2025, the Company had 6,301,204 common shares outstanding (October 31, 2024, 6,333,931).

On November 29, 2023, the Toronto Stock Exchange (TSX) accepted 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 for one year from December 1, 2023 to November 30, 2024.

On November 28, 2024, TSX accepted the Company's Notice of Intention to make another NCIB and Automatic Securities Purchase Plan to purchase for cancellation a maximum amount of 316,646 common shares of the Company representing 5% of the Company's issued and outstanding common shares. Purchases under the NCIB commenced on December 2, 2024 and will terminate on December 1, 2025, or such earlier date in the event that the maximum number of shares sought in the NCIB has been repurchased. During the three-month period ending on January 31, 2025, the Company purchased for cancellation 35,100 common shares at normal market prices trading on the TSX for $562,434. These shares were immediately cancelled and removed from treasury by the Company.

The Company's third amended and restated credit agreement with BMO Bank, N.A. restricts the amount of NCIB that can be performed up to $4 million annually. The credit agreement applies further restrictions on NCIB repurchases through a financial covenant tied to minimum measures of tangible net worth and net income. This covenant is tested annually but is assessed quarterly on a pro-forma basis to ensure compliance.

As of January 31, 2025, there were 788,655 stock options outstanding, out of which 603,580 were vested, and 185,075 were unvested, and no warrants outstanding.

The following represents information about the Company's share price:

Share Information

	January 31, 2025	October 31, 2024
	$	$
Closing share price (TSX) in CAD$	22.00	25.57
Shares outstanding	6,301,204	6,333,931
Market capitalization[1]	95,515,545	116,445,781
Book value per share[2]	12.61	12.53
Market value to book value multiple[3]	1.20	1.47

[1]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
[2]Book value per share is total equity divided by the number of shares outstanding
[3]Market value to book value multiple is the ratio of the share's market value represented in the closing price as per the TSX, converted into USD divided by the book value per share

Accounting Standards and Policies

A summary of significant accounting policies is described in Note 2 of the Company's audited consolidated financial statements for the years ended October 31, 2024 and 2023.

Financial Risk Factors

International Conflict

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

Russia's 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 geo-political conflicts such as Russia's invasion of Ukraine cannot be accurately predicted at this time and the effects of such conflicts may magnify the impact of the other risks identified in this MD&A, including those relating to commodity price volatility and global financial conditions. 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 revenue and ability to raise capital. Any such intrusion could also compromise the privacy of the Company's proprietary CXIFX software which is integral to its business. In such a case, the Company may be required to spend significant resources to monitor and protect its intellectual property rights. Litigation brought to protect and enforce those rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of the Company's intellectual property. Any failure to secure, protect and enforce its intellectual property rights could seriously harm the Company and adversely affect its business. Moreover, the security and privacy concerns of existing and potential customers may inhibit the growth of the Internet as a medium for commerce. Any actual or perceived breach of customers' privacy and security could harm the Company's business.

Risk of Downturn in International Travel

International travel is the main driver of a significant part of the Company's business. Uncertainty and negative trends in general economic conditions in the United States, Canada and abroad, including rising costs of living, have the potential to create a difficult environment for companies operating in the travel industry. The potential implications resulting from changes to the U.S. trade policy can impact economic growth, international travel and the demand for banknotes. Many of these factors, including those 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 commission 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 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.

Regulatory Compliance Risk

Regulatory compliance risk is the risk of potential non-compliance with laws, regulations, and prescribed practices in the jurisdictions in which the Company operates. Issues regarding compliance with laws and regulations can be associated with privacy, market conduct, consumer protection, business conduct and money laundering. Furthermore, in Canada, the Company's subsidiary is a Schedule 1 bank and is subject to additional guidelines from the Office of the Superintendent of Financial Institutions (OSFI). In conducting its business, the Company is subject to regulatory examinations and inquiries and may, at any given time, be subject to the payment of additional charges as a resolution of matters arising from these examinations or other non-compliance matters. Additional charges, where applicable, are recorded in the Company's condensed interim consolidated financial statements as a provision, in the period in which the recognition criteria in accordance with IFRS Accounting Standards are met.

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

Compliance policies and procedures have been developed to enable the Company to manage regulatory compliance risk. The Company has an established regulatory compliance management framework which outlines how it manages and mitigates the regulatory compliance risks associated with potential non-compliance with regulatory requirements and changing laws and regulations as applicable.

Normal Course Issuer Bid Risks

The Company's ability to repurchase shares and the actual amount of shares repurchased under its normal course issuer bid program is dependent upon, among other things, the Company's financial performance, the Company's working capital requirements, the Company's future tax obligations, the Company's future capital requirements, compliance with applicable legislation, the policies of the TSX, and restrictions tied to the financial covenants in the Company's third amended and restated credit agreement with BMO Bank, N.A. There is no guarantee that the Company will repurchase the remaining shares which are available under its current normal course issuer bid program, nor that it will apply to the TSX for a new program when the current normal course issuer bid program expires in December 2025.

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. For the purpose of risk control, the customers are grouped as follows: domestic and international financial institutions, money service businesses, and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance. These limits are adjudicated and reviewed regularly by senior management. Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods.

A breakdown of accounts receivable by category is below:

	January 31, 2025	October 31, 2024
Customer type	$	$
Domestic and international financial institutions	4,409,817	6,017,980
Money service businesses	2,333,448	3,001,066
Other	1,638,451	1,977,272
Total	**8,381,716**	**10,996,318**

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.

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

Financial Instruments and Risk Management

IFRS 9 requires that financial statements include certain disclosures about the fair value of financial instruments as set out in IFRS 13 and IFRS 7. These disclosures include the classification of fair values within a three-level hierarchy. The three Levels are defined based on the observation of significant inputs to the measurement, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - unobservable inputs for the asset or liability.

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

There were no transfers between Level 1 and Level 2 during the three-month periods ended January 31, 2025 and 2024. The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value:

January 31, 2025	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash	92,889,765	-	-	92,889,765
Forward and option contract assets	-	521,347	-	521,347
Total assets	**92,889,765**	**521,347**	**-**	**93,411,112**
Financial liabilities				
Restricted and deferred share units	-	1,526,721	-	1,526,721
Total liabilities	**-**	**1,526,721**	**-**	**1,526,721**

October 31, 2024	Level 1	Level 2	Level 3	Total
	$	$	$	$
Financial assets				
Cash	101,877,263	-	-	101,877,263
Forward and option contract assets	-	404,918	-	404,918
Total assets	**101,877,263**	**404,918**	**-**	**102,282,181**
Financial liabilities				
Restricted and deferred share units	-	2,066,192	-	2,066,192
Total liabilities	**-**	**2,066,192**	**-**	**2,066,192**

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 investment foreign currencies cannot be hedged or are too cost prohibitive to hedge. These 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.

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. Due to the unpredictable nature of foreign exchange markets, Management cannot reliably predict future movements in foreign currency valuations, and therefore hedges the Company's exposures in a consistent and prudent manner in alignment with the Company's FX Policy. As a result, Management employs a layered approach to managing its exposure to foreign exchange in major currencies through a combination of foreign currency forward contracts and a selective use of purchased put option contracts. Results after hedging vary each period and are largely driven by the magnitude of banknote holdings in certain currencies. Net results are seldom neutral because of the costs linked to hedging, which include forward point differentials on forward contracts and premiums on purchased options. The Company does not hedge its exposure to investment currencies as there is generally no established hedging market or the cost of hedging those currencies is prohibitively high. Variations in these unhedged exposures may lead to fluctuations in results each period.

In order to further mitigate the risks associated with holding these foreign currencies, the Company assigns wider bid/ask spreads and maintains specific inventory targets to minimize the impact of exchange rate fluctuations. These targets are reviewed regularly and are increased or decreased to accommodate demand within acceptable risk tolerances. The amount of unhedged inventory held in tills, vaults, on consignment, and in transit on January 31, 2025, was $11,099,625 (October 31, 2024, $9,812,382). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is $9,634,683 (October 31, 2024, $8,419,094). 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 +$193,000/-$193,000 (October 31, 2024, gain/loss of approximately +$168,000/-$168,000).

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 January 31, 2025, 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 declined and remained within policy limits, the risk is low. Borrowings bear interest at variable rates. Currently, the interest rate exposure is unhedged.

If interest rates had been 50 basis points higher/lower with all other variables held constant, after-tax profit for the three-month period ended January 31, 2025 would have been approximately +$3,000/-$3,000 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 $4,800,000 notional daily on a consolidated basis. As required, the Treasurer and CFO report any liquidity issues to the Chief Executive Officer (CEO), Chief Risk Officer (CRO), and the audit committee in accordance with established policies and guidelines. Management has assessed the Company's cash position at January 31, 2025 and determined that it is sufficient to meet its financial obligations.

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

The following are non-derivative contractual financial liabilities:

January 31, 2025				
Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	17,878,020	17,878,020	17,878,020	Nil
Holding accounts	3,175,950	3,175,950	3,175,950	Nil
Lines of credit	5,224,614	5,224,614	5,224,614	Nil

October 31, 2024				
Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	19,540,154	19,540,154	19,540,154	Nil
Holding accounts	9,032,535	9,032,535	9,032,535	Nil
Lines of credit	5,032,894	5,032,894	5,032,894	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.

	January 31, 2025	October 31, 2024
	$	$
Current assets	109,933,013	118,508,979
Current liabilities	(36,298,066)	(44,659,215)
Working capital	**73,634,947**	**73,849,764**

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.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the three-month period ended January 31, 2025, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Subsequent Events

The Company evaluated subsequent events through March 12, 2025, the date these condensed interim consolidated financial statements were issued. On February 18, 2025, the Company announced its decision to cease the operations of its wholly owned subsidiary, Exchange Bank of Canada. This strategic decision and operational plan for restructuring were communicated to all staff of EBC on February 19, 2025. Following the cessation of operations, the Bank intends to apply to the Minister of Finance in Canada to discontinue from the Bank Act. The voluntary discontinuance is expected to be completed in the fourth quarter of 2025, subject to receipt of all necessary regulatory approvals.

In Q2 2025, subsequent to the date of these condensed interim consolidated financial statements, management has commenced implementation of the restructuring and planned discontinuance of the Bank. Management is currently assessing the full financial impact of the discontinuance. Refer to "Forward-looking Statements".

There were no other material subsequent events that required recognition or additional disclosure in the condensed interim consolidated financial statements.