CURRENCY EXCHANGE INTERNATIONAL, CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2013 AND 2012

Scope of Analysis

This Management Discussion and Analysis ("**MD&A**") covers the results of operations, and financial condition of Currency Exchange International, Corp. (the "**Company,**" "**Currency Exchange,**" or **"CXI"**) for the three and six months ended March 31, 2013 and 2012, including the notes thereto. The condensed interim consolidated financial statements and related notes of CXI have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). A detailed summary of the Company's significant accounting policies is included in Note 2 of the Company's annual audited consolidated financial statements for the year ended September 30, 2012, which have been consistently applied. The functional currency of Currency Exchange International Canada Corp. is the Canadian dollar and the functional currency of the parent is the U.S. 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.

In this document, "our", "Company," and "CXI" refer to Currency Exchange International, Corp. collectively with its subsidiaries, Currency Exchange International of Canada Corp. and Currency Exchange International America Corp.

Additional Information

Additional information relating to the Company, including annual financial statements, is available on the Company's SEDAR profile at www.sedar.com and on the Company's website at www.ceifx.com.

Forward Looking Statements

Certain information provided by CXI in this MD&A and in other documents publicly filed throughout the year that are not recitation of historical facts may constitute forward-looking statements. The words "may", "would", "could", "will", "likely", "estimate", "believe", "expect", "plan", "forecast" and similar expressions are intended to identify forward-looking statements. Readers are cautioned that such statements are only predictions and the actual events or results may differ materially. In evaluating such forward-looking statements, readers should specifically consider the various factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

Such forward-looking information may involve important risks and uncertainties that could materially alter results in the future from those expressed or implied in any forward-looking statements made by, or on behalf of, CXI. Some of the factors and risks and uncertainties that cause results to differ from current expectations discussed in this MD&A include, but are not limited to, dependence upon growth in the market for the Company's products, delays in product launches, currency exposure, technology developments by Currency Exchange's competitors and changes in the competitive environment in which Currency Exchange operates.

The foregoing is not an exhaustive list of the factors that may affect CXI's forward -looking statements. These and other factors should be considered carefully and readers should not place undue reliance on CXI's forward-looking statements. CXI assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements.

Overview

CXI is a publicly traded company (TSX:CXI,CXI.WT.S;OTCBB:CURN) specializing in providing currency exchange and related products to banks, travel companies, and to clients through its company owned branches and inventory on consignment locations, throughout the United States and Canada, by utilizing the Company's proprietary online software system, CEIFX (www.ceifx.com). The Company has developed CEIFX, its proprietary customizable web-based software, as an integral part of its business and believes that it represents an important competitive advantage. CEIFX is also an on-line compliance and risk management tool. The trade secrets associated with CEIFX are protected via copyright and maintenance of source code by the head office only. CEIFX is updated regularly and system development and enhancement is a core activity at the Company.

On November 23, 2012, CXI submitted its application to continue its wholly-owned subsidiary, Currency Exchange International of Canada Corp., as a new Canadian Schedule I bank. Subject to review and approval of the application by the Office of the Superintendent of Financial Institutions (Canada) and the Minister of Finance (Canada), the new bank will be called "Exchange Bank of Canada" in English and "Banque de Change du Canada" in French and will have its head office in Toronto.

The objective of the Exchange Bank of Canada is to expand current and future business opportunities and become a leading banker's bank for foreign exchange products and services. Obtaining a Canadian bank charter affords the Company numerous advantages including banking with Central Banks, thereby obtaining a source of stable, cost-effective funds, collateral reductions with corresponding banks, and enhancing existing bank relationships.

Currency Exchange International is a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

The Company has the following sources of revenues which are segmented into commissions and fees:

- Commission revenue is comprised of the spread between the cost and selling price of foreign currency products, including bank notes, wire transmissions, cheque collections and draft issuances and the revaluation of foreign exchange positions to market value, combined with the net gain or loss from foreign currency forward contracts used to offset the revaluation of inventory positions and commissions paid to downstream financial institutions on the sale and purchase of currency products. The amount of this spread is based on competitive conditions and the convenience and value added services offered.

- Fee revenue comprising the following:

    - International exchange fees, including foreign currency (banknote) exchange, foreign traveller's cheques, foreign drafts, cheque collections and foreign wire transfers;

    - Fees collected on payroll cheque cashing transactions.

The following are some of the characteristics of the Company's revenue streams:

- The Company operates 24 branch locations which are located in high-traffic areas, staffed by CXI employees, and located across the United States. These locations have domestic and foreign currencies to buy and sell on demand. The currency exchange margins associated with these locations are generally higher to recapture costs of capital, rent, payroll, and other general and administrative costs;

Overview (continued)

- The Company operates 4 vaults located within the United States and Canada that serve as distribution centers for its branch network as well as order fulfillment centers for its clients including downstream financial institutions, money service businesses, and other corporate clients. Revenues generated from vaults have greater scale as the Company maintains a sales force to increase its geographic customer base. Exchange rate margins vary from customer to customer and are dependent on criteria such as exchange volumes and customer setup. There are two common customer setups:

  - Centralized setup - For customers with a high volume of foreign currency exchange who maintain their own inventory in central vault facilities, the Company offers bulk wholesale banknote trading. Trades of this nature are generally executed as at lower margins as the cost per transaction is low and the average value is high;

  - 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 downstream financial banks outsource their currency needs in return for a commission based upon exchange volume;

- CXI currently maintains inventory in banks and other high traffic locations. These locations can be lucrative as there are no occupancy costs or payroll. Essentially, foreign exchange currency is placed with locations on a consignment basis. As at March 31, 2013, the Company had inventory on consignment in nearly 70 locations. To encourage inventory turnover, the Company pays commissions as a percentage of volumes to these affiliates;

- Branch locations generally act as a net buyer of foreign currency whereas CXI's downstream clients act as a net seller. Excess currency collected via the branch network can be redeployed to downstream banks and clients which eliminate the need to source currency through wholesale sources at a greater cost, thus increasing currency margins;

- Exotic currencies have higher profit margins than other currencies. For instance, the Company experienced higher than normal volumes of exotic currencies from January 2011 until March of 2012. More recently however, volumes of these currencies have declined;

- Seasonality is reflected in the timing of when foreign currencies are in greater or lower demand. In a normal operating year there is some seasonality to the Company's operations with higher commissions generally from March until September and fewer commissions from October to February. This coincides with peak tourism seasons in North America when there are generally more travelers entering and leaving the United States and Canada.

The Company’s largest asset is cash. The cash position consists of local currency notes, both in U.S and Canadian dollars, held in inventory at its branch and affiliate locations to facilitate the buying and selling of foreign currency, as well as liquid foreign currency held at the Company's' vaults, branch locations, affiliate partners, or cash inventory in transit between the Company and its locations. The Company also has traditional bank deposits which act as reserves to maintain operations and as settlement accounts to facilitate currency transactions at various financial institutions.

Accounts receivable consist primarily of bulk wholesale transactions where the Company is awaiting payment. Receivables are highly liquid and typically have a settlement time of two business days with most buyers being banks or other financial institutions.

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

Initial Public Offering

On March 9, 2012, the Company completed its initial public offering ("**IPO,**" or "**Offering**") on the Toronto Stock Exchange ("**TSX**") by issuing 1,380,000 units at a price of Cdn$6.65 per unit for aggregate proceeds of Cdn$9,177,000. Each Unit is comprised of one common share in the capital stock of the Company ("**Common Share**") and one Common Share Purchase Warrant ("**Warrant**"). Funds received were used to finance foreign currency inventories at vault locations, increase its branch and inventory on consignment network, and enhance its proprietary software, CEIFX, as well as debt reduction.

Three and six months ended March 31, 2013 and March 31, 2012

	Six months ended 31-Mar-13 (Unaudited) ($)	**Six months ended 31-Mar-12 (Unaudited) ($)**	**Three months ended 31-Mar-13 (Unaudited) ($)**	**Three months ended 31-Mar-12 (Unaudited) ($)**
Revenue	5,727,345	5,792,679	2,919,292	3,076,693
Operating expenses	4,983,755	4,329,765	2,483,935	2,444,988
Net operating income	743,589	1,462,914	435,357	631,705
Net income and comprehensive income	(608,372)	1,033,683	(688,709)	497,415
Basic and diluted earnings per share	($0.13)	$0.39	($0.15)	$0.18

	March 31, 2013 (unaudited)	**September 30, 2012 (audited)**
Total assets	18,709,964	18,225,628
Total long term financial liabilities	-	-
Total equity	16,255,314	16,226,974

Results of operations – six months ending March 31, 2013

During the six months ended March 31, 2013 revenues decreased to $5,727,345 compared to $5,792,679 the same period for the previous year.

A breakdown of revenues by geographic location is presented below:

	Commissions from trading (unaudited)	Fee income (unaudited)	Total revenues (unaudited)
Six months ended March 31, 2013	$	$	**$**
United States	4,626,110	512,013	**5,138,123**
Canada	588,436	786	**589,222**
Total	**5,214,546**	**512,799**	**5,727,345**
Six months ended March 31, 2012	$	$	**$**
United States	5,135,813	532,132	**5,667,945**
Canada	119,388	5,346	**124,734**
Total	**5,255,201**	**537,478**	**5,792,679**

Commission from trading decreased to $4,626,110 during the six months ended March 31, 2013 from $5,135,813 in the same period of the previous year in the United States relates primarily to the decrease in the number of foreign currency sales originating in its branch locations. During the six months ended March 31, 2012, the Company experienced a temporary increase in the trade of exotic currencies, particularly Iraqi Dinars, which were executed at higher margins and have subsequently declined in frequency and volume. Total fee reductions reduced to $512,013 during the six months ended March 31, 2013 from $532,132 for the same period in the previous year and are related primarily to the reduction in the number of exotic currency trades performed during the period.

Revenues increased in Canada to $589,222 during the six months ended March 31, 2013 from $124,734 in the same period of the previous year and are related to the growth of the Canadian operation. Currency Exchange International of Canada Corp opened for trading in December 2011.

During the six months ended March 31, 2013, operating expenses increased to $4,983,755 compared to $4,329,765 for the same period of the previous year, the components of which were salaries and benefits, rent, legal and professional, insurance, postage and shipping, stock based compensation, travel and lodging, license and fees, amortization, software maintenance, foreign exchange loss, automotive and mileage, currency signage, utilities, office supplies, and other expenses.

- Salaries and benefits increased to $2,359,039 from $1,800,109 which is attributed to staffing costs at the Company's 4 new wholly owned branch outlets, salaries paid to new employees in Canada as well as additional staff added in the compliance, operations, sales, vaults and accounting departments;

- Rent increased to $641,461 from $528,266 due to the opening of 4 new branch locations as well as securing leases for new facilities in Toronto, Canada;

Results of operations – six months ending March 31, 2013 (continued)

- Legal and professional decreased to $417,648 from $480,295. During the six months ended March 31, 2012 the Company incurred legal and professional fees of $231,720 which were one-time expenses related to the Company's public offering completed in March of 2012. If one-time expenditures are excluded, legal and professional fees increased as a result in increases in remuneration to the Company's Board of Directors as well as additional legal and professional fees of becoming a reporting issuer;

- Insurance increased to $188,809 from $125,290 to acquire additional coverage for the Company's branch network as well as increased currency inventory holdings at its vault locations in addition to securing director and officer insurance;

- Postage and shipping increased to $477,698 from $361,148 which is attributed to increased shipments in Canada and an increase in armored shipments;

- Stock based compensation increased to $127,682 from $Nil for the vested portion of 90,000 stock options granted on May 4, 2012 and the vested portion of 116,000 options granted on December 17, 2012. The options have an expiry date of 5 years from the date of the grant and can be exercised at a price of Cdn$7.50;

- Travel and lodging remained relatively stable and increased to $84,412 from $81,777 and relate primarily to the Company's sales force maintaining and creating growth opportunities;

- License and fees increased to $139,158 from $123,871 and relate primarily to agreements to operate branch locations in certain facilities;

- Amortization increased to $138,459 from $117,330 which relate to completed software modules in CEIFX and fixed assets being amortized over their respective lives;

- Software maintenance decreased to $62,521 from $177,833 which are a result in a reduction of non-capitalized expenditures to the Company's software, CEIFX, as well non-capitalized computer hardware and software purchases for the Company's new branch locations and Canadian operations;

- Foreign exchange loss decreased to $6,656 from $83,461. The $6,656 foreign exchange loss is a result of the revaluation of foreign financial asset and liability balances. The loss of $83,461 during the six months ended March 31, 2012 relate primarily to a foreign exchange loss on the revaluation on a Cdn$2,000,000 shareholder loan. The $83,461 foreign exchange loss was offset by a gain on a forward contract of $92,343 to purchase Cdn$2,000,000 to mitigate the exchange rate risk of the loan;

- Automotive and mileage increased to $54,894 from $47,229 which was a result of increased tolls, gasoline, mileage, rental, and parking costs and is related to additional staff and geographic expansion;

- Utilities increased to $54,623 from $48,529 as a result of adding new wholly owned company branch locations and a new vault facility in Toronto;

- Currency signage decreased to $33,674 from $38,768. Signage includes LED black-lit displays, static and counter displays as well as electronic counterfeit detectors distributed to branches and Company customers;

Results of operations – six months ending March 31, 2013 (continued)

- Office supplies increased to $35,013 from $30,573 as a result of the addition of new company owned branch locations and non-capitalized expenditures related to the vault facility in Toronto; and

- Other expenses decreased to $162,009 from $205,286 and are comprised of miscellaneous items including bank service charges, charitable donations, and dues and subscriptions.

The ratio of operating expenses to total revenue for the six months ended March 31, 2013 was 87% compared to 75% for the same period of the previous year. The company expects this ratio to remain steady in the short term as the Company continues to incur costs while building infrastructure to expand its branch and vault operations. In time, the Company can increase its operating efficiency by the addition of new downstream financial institutions in Canada and the United States to redeploy excess currency purchased by its branches, affiliate partners, and other clientele.

Other income and expenses are comprised of the following:

	Six months ended March 31, 2013 (unaudited) ($)	**Six months ended March 31, 2012 (unaudited) ($)**
Other income	6,413	82
Gain on forward contract	-	92,343
Fair value change in warrant liability	(636,321)	286,950
Interest and accretion expense	(12,231)	(124,448)
Expenses related to Exchange Bank of Canada	(193,538)	-
Warrant issue costs	-	(124,171)
Income tax expense	(402,663)	(559,987)

- Other income increased to $6,413 from $82 and relate to interest income and gains on the disposal of fixed assets;

- Gain on forward contract decreased to $Nil from a gain of $92,343. The gain of $92,343 relates to the revaluation of a forward contract to mitigate the exchange rate risk of Cdn$2,000,000 loan from a shareholder of the Company. The gain on forward contract was partially offset by a loss of $83,461 on the revaluation of the Cdn$2,000,000 loan;

- Fair value change in warrant liability resulted in a loss of $636,321 from a gain of $286,950 in the same period of the previous year and relate to a marked to market adjustment of the Company’s issued and outstanding warrants, of which 1,380,000 were issued on March 9, 2012 and 82,680 issued between December of 2012 and March of 2013 for a total amount of 1,462,680 issued and outstanding as of March 31, 2013;

Results of operations – six months ending March 31, 2013 (continued)

- Interest and accretion expense decreased to $12,231 from $124,448 and relate primarily to interest payments on credit lines and term loans. During the majority of six months ended March 31, 2012, the Company had debt obligations including Cdn$2,000,000 shareholder payable and a term loan which were repaid in full in March of 2012. As of March 31, 2013 the Company held no debt.

- Expenses related to Exchange Bank of Canada increased to $193,538 from $Nil and relate to legal and administrative expenses to file and process the bank application;

- Income tax expense increased to $402,663 from $559,987 and is a total of federal income tax as well as various state and provincial taxes for the jurisdictions in which the Company operates.

Results of operations – three months ending March 31, 2013

During the three months ended March 31, 2013 revenues decreased to $2,919,292 compared to $3,076,693 the same quarter of the previous year.

A breakdown of revenues by geographic location is presented below:

	Commissions from trading (unaudited)	Fee income (unaudited)	Total revenues (unaudited)
Three months ended March 31, 2013	$	$	**$**
United States	2,379,965	257,426	**2,637,391**
Canada	281,901	-	**281,901**
Total	**2,661,871**	**257,421**	**2,919,292**
Three months ended March 31, 2012			
United States	2,687,308	260,754	**2,948,062**
Canada	123,700	4,931	**128,631**
Total	**2,811,008**	**265,685**	**3,076,693**

The reduction in commission revenues to $2,379,965 during the three months ended March 31, 2013 from $2,687,308 in the same quarter in the previous year in the United States relates primarily to the decrease in the number of foreign currency sales originating in its branch locations. During the three months ended March 31, 2012, the Company experienced a temporary increase in the trade of exotic currencies, particularly Iraqi Dinars, which were executed at higher margins and have subsequently declined in frequency and volume. Fee income in the United States remained relatively unchanged between the three months ended March 31, 2013 and March 31, 2012.

Revenues increased in Canada to $281,901 during the three months ended March 31, 2013 from $128,631 in the same quarter of the previous and are related to the growth of the Canadian operation. Currency Exchange International of Canada Corp. opened for trading in December 2011.

Results of operations – three months ending March 31, 2013 (continued)

During the three months ended March 31, 2013, operating expenses increased to $2,483,935 compared to $2,444,988 for the same period of the previous year, the components of which were salaries and benefits, rent, legal and professional, insurance, postage and shipping, stock based compensation, travel and lodging, license and fees, amortization, software maintenance, foreign exchange loss, automotive and mileage, currency signage, utilities, office supplies, and other expenses.

- Salaries and benefits increased to $1,212,836 from $979,551 which is attributed to staffing costs at the Company's 4 new wholly owned branch outlets, salaries paid to new employees in Canada as well as additional staff added in the compliance, operations, sales, vaults and accounting departments;

- Rent increased to $320,350 from $280,708 due to the opening of 4 new branch outlets as well as securing leases for new facilities in Toronto, Canada;

- Legal and professional decreased to $205,734 from $352,109. During the three months ended March 31, 2012 the Company incurred legal and professional fees of $231,720 which were one-time expenses related to the Company’s public offering completed in March of 2012. If one-time expenditures are excluded, legal and professional fees increased as a result in increases in remuneration to the Company's Board of Directors as well as additional legal and professional fees of becoming a reporting issuer;

- Insurance increased to $91,668 from $69,041 to acquire additional coverage for the Company's branch network as well as increased currency inventory holdings at its vault locations in addition to securing director and officer insurance;

- Postage and shipping remained relatively stable and decreased to $220,450 from $227,559;

- Stock based compensation increased to $81,835 from $Nil for the vested portion of 90,000 stock options granted on May 4, 2012 and the vested portion of 116,000 options granted on December 17, 2012. The options have an expiry date of 5 years from the date of the grant and can be exercised at a price of Cdn$7.50;

- Travel and lodging remained relatively stable and decreased to $45,477 from $46,081 and relate primarily to the Company's sales force maintaining and creating growth opportunities;

- License and fees increased to $73,549 from $69,353 and relate primarily to agreements to operate branch locations in certain facilities;

- Amortization increased to $69,849 from $59,370 which relate to completed software modules in CEIFX and fixed assets being amortized over their respective lives;

- Software maintenance decreased to $33,114 from $93,690 which are a result of a decrease in non-capitalized expenditures to the Company's software, CEIFX, as well non-capitalized computer hardware and software purchases for the Company's new branch locations and Canadian operations;

Results of operations – three months ending March 31, 2013 (continued)

- Foreign exchange loss decreased to a gain of $43,333 from a loss of $41,650. The $43,333 foreign exchange gain is a result of the revaluation of foreign financial asset and liability balances. The loss of $41,650 during the six months ended March 31, 2012 relate primarily to a foreign exchange loss on the revaluation on a Cdn$2,000,000 shareholder loan. The $41,650 foreign exchange loss was offset by a gain on a forward contract of $37,269 to purchase Cdn$2,000,000 to mitigate the exchange rate risk of the loan;

- Automotive and mileage remained stable and increased $27,260 from $26,009 and are a result of tolls, gasoline, mileage, rental, and parking costs;

- Utilities increased to $27,822 from $25,525 and as a result of adding new wholly owned company branch locations and a new vault facility in Toronto;

- Currency signage decreased to $19,285 from $17,395. Signage includes LED black-lit displays, static and counter displays as well as electronic counterfeit detectors distributed to branches and Company customers;

- Office supplies increased to $19,130 from $16,255 as a result of the addition of new company owned branch locations; and

- Other expenses decreased to $79,910 from $140,692 and are comprised of miscellaneous items including bank service charges, charitable donations, and dues and subscriptions.

The ratio of operating expenses to total revenue for the three months ended March 31, 2013 was 85% compared to 79% for the same quarter of the previous year. The company expects this ratio to remain steady in the short term as the Company continues to incur costs while building infrastructure to expand its branch and vault operations. In time, the Company can increase its operating efficiency by the addition of new downstream financial institutions in Canada and the United States to redeploy excess currency purchased by its branches, affiliate partners, and other clientele.

Other income and expenses are comprised of the following:

	Three months ended March 31, 2013 (unaudited) ($)	Three months ended March 31, 2012 (unaudited) ($)
Other income	4,500	50
Gain on forward contract	-	37,269
Fair value change in warrant liability	(639,192)	286,950
Interest and accretion expense	(6,583)	(56,322)
Expenses related to Exchange Bank of Canada	(60,149)	-
Warrant issue costs	-	(124,171)
Income tax expense	(309,021)	(278,066)

Results of operations – three months ending March 31, 2013 (continued)

- Other income increased to $4,500 from $50 and relate to interest income and gains on the disposal of fixed assets;

- Gain on forward contract decreased to a gain of $Nil from a gain of $37,269. The gain of $37,269 relates to the revaluation of a forward contract to mitigate the exchange rate risk of Cdn$2,000,000 loan from a shareholder of the Company. The gain on forward contract was partially offset by a loss of $41,650 on the revaluation of the Cdn$2,000,000 loan;

- Fair value change in warrant liability resulted in a loss of $639,192 from a gain of $286,950 in the same quarter of the previous year and relate to a marked to market adjustment of the Company's issued and outstanding warrants, of which 1,380,000 were issued on March 9, 2012 and 82,680 issued between December of 2012 and March of 2013 for a total amount of 1,462,680 issued and outstanding as of March 31, 2013;

- Interest and accretion expense decreased to $6,583 from $56,322 and relate primarily to interest payments on credit lines and term loans. During the majority of three months ended March 31, 2012, the Company had debt obligations including Cdn$2,000,000 shareholder payable and a term loan which were repaid in full in March of 2012. As of March 31, 2013 the Company held no debt.

- Expenses related to Exchange Bank of Canada increased to $60,149 from $Nil and relate to legal and administrative expenses to file and process the bank application;

- Income tax expense increased to $309,021 from $278,066 and is a total of federal income tax as well as various state and provincial taxes for the jurisdictions in which the Company operates.

Cash flows

Cash used in operating activities during the six months ended March 31, 2013 resulted in a decrease of $753,657 compared with an increase of $160,990 during the period ended in the previous year. The difference between the operating cash flow and net income for the six months ended March 31, 2013 relate primarily to a increases in restricted cash, other assets and a significant increase in accounts receivable. Accounts receivable consist of wholesale transactions with a typical settlement cycle of 24 to 48 hours. The actual amount of accounts receivable balances varies widely from period to period due to the volume of activity and timing differences. There is minimal counter-party risk as the bulk of the Company's receivables reside with financial institutions. Operating cash flow is generated by commission and fee income, and is offset by operating expenses.

Cash used in investing activities during six months ended March 31, 2013 increased to $227,236 compared to $126,003 during the six months ended March 31, 2012. The company's primary investments consisted of leasehold improvements at branch locations as well as significant investments in the Company's proprietary software, www.ceifx.com.

Cash used in financing activities during the six months ended March 31, 2013 was $548,264 compared to cash generated of $6,412,179 for the same period in the prior year. During the six months ended March 31, 2013, Cdn$549,822 ($548,264) was generated from the exercise of 82,680 broker options at a price of Cdn$6.65 per option. During the six months ended March 31, 2012, CXI generated cash of Cdn$9,177,000 ($9,240,936) by completing its public offering for 1,380,000 common shares, at, a price of Cdn$6.65 per share, less issue costs of $574,126, less debt service repayments of $2,254,331.

Liquidity and capital resources

As at March 31, 2013, the Company had working capital of $15,623,343 (September 30, 2012 - $15,651,326). Working capital consists of cash of $16,131,824 (September 30, 2012 - $16,564,453), accounts receivable of $1,125,636 (September 30, 2012 - $603,602), restricted cash held in escrow of $327,386 (September 30, 2012 - $132,340), income tax recoverable $21,698 (September 30, 2012 - $Nil), and other current assets of $397,695 (September 30, 2012 - $312,975). This was offset by current liabilities of $2,380,896 (September 30, 2012 $1,962,044) which includes accounts payable of $911,246 (September 30, 2012 - $682,572), accrued expenses of $340,206 (September 30, 2012 - $690,212), income taxes payable of $Nil (September 30, 2012 - $146,438), deferred rent of $34,882 (September 30, 2012 - $23,995), and warrant liability of $1,094,562.

The Company also maintains a Cdn$2,000,000 credit line with a shareholder of the Company and a $1,000,000 credit line with Branch Banking and Trust Company to assist its short-term cash flow needs.

Selected annual and quarterly information

The following tables set out selected consolidated financial information of Currency Exchange International for the periods indicated. Each investor should read the following information in conjunction with those financial statements and notes thereto. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information set out below has been derived from the consolidated financial statements of the Company.

	Twelve months ended September 30, 2012	**Twelve months ended September 30, 2011**	**Nine months ended September 30, 2010 (1)**
Revenues	$ 12,314,473	$ 8,683,705	$ 3,407,289
Net operating income	$ 3,573,621	$ 2,796,779	$ 269,298
Net income and comprehensive income	$ 2,717,652	$ 1,489,686	$ 129,098
Basic and diluted earnings per share (2)	$ 0.83	$ 0.66	$ 0.07
Total assets	$ 18,225,628	$ 9,914,292	$ 5,007,511
Total liabilities	$ 1,998,654	$ 3,754,954	$ 1,664,119
Total non-current financial liabilities	$ -	$ 110,924	$ 721,284
Working capital	$ 15,651,326	$ 5,861,804	$ 3,777,905

Notes:

1. The Company changed its year-end to September 30, and reported on the nine months ended September 30, 2010 as a transition year.
2. Adjusted for a 2:1 share split effective June 28, 2011.

Selected annual and quarterly information (continued)

The following is a summary of unaudited financial data for the most recently completed eight quarters:

Summary financial information for the most recently completed eight quarters					
Three months ended	**Total revenues**	**Net income**	**Total assets**	**Basic and diluted earnings per share**	**Long-term financial liabilities**
March 31, 2013	$2,919,292	($575,087)	$18,709,964	($0.15)	-
December 31, 2012	$2,808,053	$80,338	$19,929,308	$0.02	-
September 30, 2012	$3,369,548	$1,475,426	$18,225,628	$0.38	-
June 30, 2012	$3,152,246	$208,542	$17,275,581	$0.05	-
March 31, 2012	$3,076,693	$497,415	$16,829,379	$0.18	-
December 31, 2011	$2,715,986	$536,269	$10,391,386	$0.22	$82,572
September 30, 2011	$2,988,585	$483,399	$9,914,292	$0.20	$110,924
June 30, 2011	$2,521,236	$622,490	$8,301,486	$0.28	$137,831

During the eight quarters listed above, the Company generated revenue from commissions from trading and fee income. The large variance in net income and basic earnings per share for the three months ended March 31, 2013 is related to a loss on a non-cash adjustment of $639,192 to mark to market the Company's warrant liability. The sizeable increase in net income and basic and diluted earnings per share during the three months ended September 30, 2012 is related to a non-cash gain of $868,836 on the revaluation of the Company's warrant liability.

Commitments and contingencies

The Company is party to a management contract with the President and CEO of the Company. The contract provides maximum commitments of $200,000 in salary for the 2013 fiscal year in addition to a maximum bonus of up to 62.5% of the annual base salary and additional contingencies of a minimum $321,000 to be made upon the occurrence of certain events such as a change of control or termination for reasons other than cause. As the likelihood of a change on control is not determinable, the contingent payments have not been reflected in the consolidated financial statements.

The Company has entered in to non-cancellable operating lease and license arrangements with terms in excess of one year for the use of certain facilities. The minimum rental payments associated with these leases are $1,539,221 and are payable as follows:

Year ended	Remaining minimum payments required
October 31, 2013	$515,160
October 31, 2014	$687,569
October 31, 2015	$263,659
October 31, 2016	$41,193
October 31, 2017	$31,640
Total	**$1,539,221**

Off-Balance Sheet Arrangements

There are currently no off balance sheet arrangements which could have an effect on current or future results or operations, or the financial condition of the Company.

Hedging Activity

Other than as noted below, the Company does not engage in any form of hedged, derivative or leveraged trading. Furthermore, the Company does not extend margin or leverage to any of its customers.

The Company enters into foreign currency forward contracts on a daily basis to mitigate the risk of fluctuations in the exchange rates of its major currency holdings. The forward contracts are recognized at fair value and the gain or loss is recorded daily and is included in commissions on the consolidated statements of income and comprehensive income. The Company's management strategy is to reduce the risk of fluctuations associated with foreign exchange rate changes. The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated. For the six months ended March 31, 2013, the change in foreign currency value was a gain of $47,653 (six months ended March 31, 2012 - gain - $16,696), the net change from foreign currency forward contracts related to foreign currency inventory holdings was a gain of $39,473 (six months ended March 31, 2012 - loss - $35,503). For the three months ended March 31, 2013, the change in foreign currency value was a loss of $75,227 (three months ended March 31, 2012 - gain - $89,765), the net change from foreign currency forward contracts related to foreign currency inventory holdings was a gain of $135,774- (six months ended March 31, 2012 - loss - $87,892).

Hedging Activity (continued)

As at March 31, 2013 and September 30, 2012 approximately $327,386 and $132,340, respectively, was being held as collateral on these contracts and is reflected as restricted cash held in escrow in the consolidated statements of financial position.

Transactions with Related Parties

The remuneration of directors and other members of key management personnel during the six months ended March 31, 2013 and the six months ended March 31, 2012 was as follows:

	Six months ended	
	March 31, 2013	**March 31, 2012**
	$	$
Short-term benefits	256,771	196,497
Post-employment benefits	7,920	3,186
Stock based compensation	127,682	-

On September 25, 2012, the Compensation Committee of the Board of Directors created a short term incentive plan ("STIP") for key officers and executives of the Company. The maximum amount of STIP payable for the fiscal year effective October 1, 2012 will be $368,813 and will be paid upon the achievement of performance objectives. The Company incurred legal and professional fees in the aggregate of Cdn$14,653 and Cdn$ 24,228 for the three and six months ending March 31, 2013, respectively (three and six months ending March 31, 2012 - $39,700 and $40,790, respectively) charged by entities controlled by directors or officers of the Company. During the three and six months ended March 31, 2013, the Company incurred an expense $83,441 and $127,682, respectively, from stock options to officers and directors (three and six months ended March 31, 2012 - $Nil and $Nil).

On March 9, 2012 the Company completed its public offering of 1,380,000 units. Officers and directors who participated in the offering combined to purchase a total 8,100 units.

Option Grant

The Company granted 90,000 stock options to key employees and directors on May 4, 2012, with each stock option exercisable into one common share of the Company at an exercise price of Cdn$7.50 per share and an expiry date of May 4, 2017. In accordance with the Company's incentive stock option plan, the options are subject to a vesting schedule as follows:

- 1/3 upon first anniversary of grant;
- 1/3 upon second anniversary of grant;
- 1/3 upon third anniversary of grant.

During the three and six months ending March 31, 2013, the Company realized stock based compensation in the amount of $36,232 and $74,852, respectively (three and six months ending March 31, 2012 - $Nil and $Nil, respectively) which was determined based on the vested portion of the Black-Scholes option pricing model using the assumptions presented below:

Risk-free interest rate	0.78%
Expected volatility	45%
Expected dividend yield	Nil
Expected life (years)	5
Fair value of share at grant date	Cdn$7.30
Fair value of option at grant date	$2.84

On December 17, 2012, the company granted 116,000 stock options to select employees and directors with an exercise price of Cdn$7.50 and an expiry date of December 18, 2017. During the three and six months ending March 31, 2013, the Company realized stock based compensation in the amount of $45,603 and $52,830, respectively (three and six months ending March 31, 2012 - $Nil and $Nil, respectively) which was determined based on the vested portion of the Black-Scholes option pricing model using the assumptions presented below:

Risk-free interest rate	0.74%
Expected volatility	49%
Expected dividend yield	Nil
Expected life (years)	5
Fair value of share at grant date	Cdn$6.75
Fair value of option at grant date	$2.66

During the three six and months ended March 31, 2013, the Company realized a total of $81,835 and $127,682, respectively, in stock based compensation for the vested valued 206,000 options issued in outstanding.

Subsequent events

The Company appointed Mr. Peter Scherer as Chief Financial Officer of Currency Exchange International, Corp and its wholly owned subsidiary, Currency Exchange International, Canada Corp., effective May 1, 2013.

On May 3, 2013 the Company granted 22,000 Options at a price of Cdn$7.65, with an expiration date of May 3, 2018. The options vest under the terms described in Note 16.

Critical accounting estimates

The company's accounting policies are described in Note 2 to the unaudited condensed interim consolidated financial statements for the three and six months ended March 31, 2013. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the amounts reported in the financial statements and accompanying notes. The following is a list of the accounting policies that the company believes are critical, due to the degree of uncertainty regarding the estimates and assumptions involved and the magnitude of asset, liability, revenue or expense being reported.

Carrying value of intangible assets
The Company makes significant judgments about the value of its proprietary software, www.ceifx.com. Once the scope of a project is deemed technologically feasible, the Company capitalizes costs incurred for the planning, development, and testing phases of modules developed within its software. Subsequent to the completion of the software development cycle, each module is amortized over a period of five years. Costs relating to software maintenance, regular software updates, and minor software customizations are expensed as incurred.

Share-based payments including broker options
Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates, future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Information about significant areas of estimation and critical judgments in applying accounting policies that have significant effects on the amounts recognized in the unaudited condensed interim consolidated financial statements are included in the following notes:

Assets' carrying values and impairment charges
In the determination of carrying values and impairment charges, management looks at the higher of recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting period. The Company reviews property and equipment and intangible assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Amortization expense
The Company's property and equipment and intangible assets are amortized over their estimated useful economic lives. Useful lives are based upon management's estimates of the length of time that the assets will generate revenue, which is reviewed at least annually for appropriateness. Changes to these estimates can result in variations in the amounts charged for amortization and in the assets' carrying amounts.

Changes in Accounting Policies

New accounting policies

IFRS 7 Financial instruments - Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has implemented this new standard and has determined that it did not have a significant impact on its unaudited condensed interim consolidated financial statements.

Future accounting pronouncements

Certain pronouncements were issued by the IASB or IFRIC. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following standards have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of the amendments to IFRS 9 on unaudited condensed interim consolidated financial statements.

IFRS 10 Consolidated Financial Statements ("IFRS 10") provides a single model to be applied in the control analysis for all investees, including entities that currently are special purpose entities in the scope of SIC 12 Consolidation – Special purpose entities. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 Consolidated and Separate Financial Statements. The Company intends to adopt IFRS 10 in its consolidated financial statements for the annual period beginning October 1, 2013. The Company has not yet determined the impact of IFRS 10 on its unaudited condensed interim consolidated financial statements.

IFRS 12 Disclosure of Involvement with Other Entities ("IFRS 12") was issued in May 2011. IFRS 12 requires a parent company to disclose information about significant judgments and assumptions it has made in determining whether it has control, joint control, or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. An entity should also provide these disclosures when changes in facts and circumstances affect the entity's conclusion during the reporting period. This standard is effective for annual periods beginning on or after October 1, 2013, and early adoption is permitted. The Company has not yet determined the impact of IFRS 12 on its unaudited condensed interim consolidated financial statements.

Future accounting pronouncements (continued)

IFRS 13 *Fair Value Measurement* ("IFRS 13") was issued in May, 2011 and provides guidance on how to measure fair value, as well as requiring specific disclosures related to fair value measurements recognized and in the financial statements... IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. The Company has not yet determined the impact of IFRS 13 on its unaudited condensed interim consolidated financial statements.

IAS 1 *Presentation of Financial Statements* ("IAS 1") was amended by the IASB in June 2011 in order to improve consistency and clarity of the presentation of items in other comprehensive income. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments to IAS 1 on its unaudited condensed interim consolidated financial statements.

IAS 32 Financial Instruments - Presentation ("IAS 32") was amended to clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014 with retrospective application required. Earlier application is permitted. The Company is assessing the impact of IAS 32 on its unaudited condensed interim consolidated financial statements.

Financial Instruments and Other Instruments

Financial assets
Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or derivatives. The Company determines the classification of its financial assets at initial recognition.

Fair value through profit and loss
Financial assets at fair value through profit and loss are initially recognized at fair value with changes in fair value recorded through income. Cash includes local and foreign currencies held in tills, vaults, or in transit are included in this category of financial assets.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Financial assets including accounts receivable, financial instruments included in other current assets and restricted cash held in escrow are all classified as loans and receivables.

Derivative financial instruments
Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each consolidated statement of financial position date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Financial Instruments and Other Instruments (continued)

Financial liabilities
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value. The Company's financial liabilities include accounts payable, accrued expenses, shareholder loan payable, and notes payable are all classified as other financial liabilities. Forward contract liability and warrant liability are classified as fair value through profit or loss.

Other financial liabilities
Other financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest and any transaction costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition. Other financial liabilities are derecognized when the obligations are discharged, cancelled or expired.

Financial instruments recorded at fair value
Financial instruments recorded at fair value in the condensed interim statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of March 31, 2013 and September 30, 2012, cash including foreign currencies held in tills and vaults and warrant liability are classified as Level 1 financial instruments.

Disclosure of outstanding share data

The Company is authorized to issue 100,000,000 common shares with a par value of $1.00 per common share, of which 3,954,748 Common Shares are issued and outstanding as fully paid as at date of this MD&A. Of the 3,954,748 issued and outstanding as at March 31, 2013 516,642 are held in escrow. Of the 516,642 common shares held in escrow, 516,642 common shares are to be realized eighteen months following the closing date of the public offering. The Company has granted 206,000 stock options to employees and directors, with each stock option exercisable into one common share of the Company at an exercise price of Cdn$7.50 per share of which 90,000 have an expiry date of May 4, 2017 and 116,000 have an expiry date of December 18, 2017. The Company has 1,462,680 warrants outstanding. Each warrant entitles its holder to purchase one common share at a price of Cdn$7.50 with an expiry date of September 8, 2013.

Risk factors

The operations of the Corporation are speculative due to the high-risk nature of its business and present stage of development. These risk factors could materially affect the Corporation's financial condition and/or future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Corporation. Although the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Corporation, and other risks and uncertainties not presently known by management could impair the Corporation and its business in the future.

Limited operating history
The Corporation has only a limited operating history upon which an evaluation of the Corporation and its prospects can be based. Although the Corporation anticipates increases in revenues, it is also incurring substantial expenses in the establishment of its business. To the extent that such expenses do not result in appropriate revenue increases, the Corporation's long-term viability may be materially and adversely affected.

A significant portion of the Corporation's financial resources have been and will continue to be, directed to the development of its business and marketing activities. The success of the Corporation will ultimately depend on its ability to generate cash from its business. There is no assurance that the future expansion of the Corporation's business will be sufficient to raise the required funds to continue the development of its business and marketing activities.

Future capital needs and uncertainty of additional financing
The corporation may need to raise funds in order to support more rapid expansion, develop new or enhanced services and products, respond to competitive pressures, acquire complementary businesses or technologies or take advantage of unanticipated opportunities. The Corporation may be required to raise additional funds through public or private financing, strategic relationships or other arrangements. There can be no assurance that such additional funding, if needed, will be available on terms attractive to the Corporation, or at all. Furthermore, any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictive covenants. If additional funds are raised through the issuance of equity securities, the percentage ownership of the shareholders of the Corporation will be reduced, shareholders may experience additional dilution in net book value per share, or such equity securities may have rights, preferences or privileges senior to those of the holders of Common Shares. If adequate funds are not available on acceptable terms, the Corporation may be unable to develop or enhance its business, take advantage of future opportunity or respond to competitive pressures, any of which could have a material adverse effect on the Corporation's business, financial condition and operating results.

Competition
The Corporation faces competition from established competitors such as Travelex Group, Wells Fargo Bank, Bank of America and American Express, and also from competitors using alternative technologies.
While the market for foreign currency exchange is highly fragmented in the United States, there exists little in the way of barriers to entry to this type of business. The Corporation therefore believes that it must continue to develop new products and services and introduce enhancements to its existing products and services in a timely manner if it is to remain competitive. Even if the Corporation introduces new and enhanced products and services, it may not be able to compete effectively because of the significantly greater financial, technical, marketing and other resources available to some of its competitors. As the markets for the Corporation's products and services expand, additional competition may emerge and competitors may commit more resources to competitive products and services. There can be no assurance that the Corporation will be able to compete successfully in these circumstances.

Risk factors (continued)

Management of Growth
The Corporation has recently experienced, and may continue to experience, rapid growth in the scope of its operations. This growth has resulted in increased responsibilities for the Corporation's existing personnel, the hiring of additional personnel and, in general, higher levels of operating expenses. In order to manage its current operations and any future growth effectively, the Corporation will need to continue to implement and improve its operational, financial and management information systems, as well as hire, manage and retain its employees and maintain its corporate culture including technical and customer service standards. There can be no assurance that the Corporation will be able to manage such growth effectively or that its management, personnel or systems will be adequate to support the Corporation's operations.

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 and accounts receivable.
All domestic and international banking relationships are selected by senior management. The Company maintains accounts in high quality financial institutions. At various times, the Company's bank balances may exceed the federally or provincially insured limits.

The credit risk associated with accounts receivable (refer to Note 2 in the condensed consolidated statements for the three and six months ended March 31, 2013) is limited, as the Company's receivables consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. There is minimal counterparty risk as the majority of the Company's receivables reside with banks and other financial institutions. 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. A breakdown of AR by category is below:

	March 31, 2013	**September 30, 2012**
Customer type	**$**	**$**
Domestic and foreign financial institutions	333,924	215,114
Money service businesses	783,761	377,839
Other	7,951	10,649
Total	**1,125,636**	**603,602**

These limits are reviewed regularly by senior management.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset on the statement of financial position. There are no commitments that could increase this exposure to more than the carrying amount.

Risk factors (continued)

Foreign Currency Risk

The volatility of the Company's foreign currency holdings may be increased as a result of the political and financial environment of the corresponding issuing country. Management believes its exposure to foreign currency fluctuations is mitigated by the short-term nature and rapid turnover of its foreign currency inventory, as well as the use of forward contracts to offset these fluctuations. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are too cost prohibitive to hedge. In order to 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. During any given time the Company may have up to $2,000,000 in minor or exotic foreign currencies that are held in transit, vaults tills or consignment locations that are un-hedged. The amount of unhedged inventory at March 31, 2013 was 1,502,024. A 2% increase/reduction in the market price for the aggregate of the company's un-hedged foreign currencies would result in an exchange gain/loss of approximately +$30,000/-$30,000.

On a consolidated basis, the Company is also exposed to foreign currency fluctuations between the US dollar and the functional currencies of its subsidiaries. The major foreign currency giving rise to currency risk is the Canadian dollar.

The Company does not hedge its net investment in its foreign subsidiary and the related foreign currency translation of local earnings.

Interest Rate Risk

As at March 31, 2013, the Company had access to interest bearing financial instruments in cash and short term note payables. A significant amount of the Company's cash is held as foreign currency banknotes in tills and vaults (see Note 5 in the condensed consolidated statements for the three and six months ended March 31, 2013). These amounts are not subject to interest rate risk. Generally, most cash held on deposit is non-interest bearing.

Borrowings bear interest at fixed and variable rates. Cash and borrowings issued at variable rates expose the Company to cash flow interest rate risk. For the interest rate profile of the Company's interest bearing financial liabilities (see Note 10 in the condensed consolidated statements for the three and six months ended March 31, 2013).

The Company manages interest rate risk in order to reduce the volatility of the financial results as a consequence of interest rate movements. For the decision whether new borrowings shall be arranged at a variable or fixed interest rate, senior management focuses on an internal long-term benchmark interest rate and considers the amount of cash currently held at a variable interest rate. Currently the interest rate exposure is un-hedged.

As at March 31, 2013, if interest rates had been 50 basis points higher/lower with all other variables held constant, post tax profit for the six months ended would have been approximately $50 higher/lower as a result of credit lines held at variable rates.

Risk factors (continued)

Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The CFO informs the CEO, the Board of Directors, and the Audit Committee of capital and liquidity issues as they occur in accordance with established policies and guidelines. The Company targets to have a cash reserve or credit lines greater than 15% of the Company's prior year's revenues.

The following are contractual liabilities of financial liabilities:

As at March 31, 2013

Non-derivative financial liabilities	Carrying amount	Contractual amount	Within current fiscal year	Between 1 and 2 fiscal years
	$	$	$	$
Accounts payable	911,246	911,246	911,246	-
Accrued expenses	340,206	340,206	340,206	-

As at September 30, 2012

Non-derivative financial liabilities	Carrying amount	Contractual amount	Within current fiscal year	Between 1 and 2 fiscal years
	$	$	$	$
Accounts payable	682,572	682,572	-	682,572
Accrued expenses	690,212	690,212	-	690,212

The Company had unused lines of credit amounting to $3,000,000 at March 31, 2013 (September 30, 2012 - $3,000,000).

The Company manages capital through its financial and operational forecasting processes. 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.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, obtaining loan financing, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

Product Development and Rapid Technological Change

The advent of the so called “cashless society” may erode the physical bank-note currency markets resulting in a significant adverse effect upon the Corporation’s continued growth and profitability. While the enabling technology has existed for over a decade, the development of a truly cashless society continues to be slowed by such factors as issues respecting infrastructure, cultural resistance, distribution problems and patchwork regulations. Nevertheless, the success of the Corporation could be seriously affected by a competitor’s ability to develop and market competing technologies.

Risk factors (continued)

Product Development and Rapid Technological Change (continued)
To remain competitive, the Corporation must continue to enhance and improve the responsiveness, functionality and features of its technology and website, CEIFX. The Internet and the e-commerce industry are characterized by rapid technological change, changes in user and customer requirements and preferences, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices that could render the Corporation's existing operations and proprietary technology and systems obsolete. The Corporation's success will depend, in part, on its ability to develop leading technologies useful in its business, enhance its existing services, develop new services and technology that address the increasingly sophisticated and varied needs of its existing and prospective customers and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. The development of Internet and other proprietary technology entails significant technical, financial and business risks. There can be no assurance that the Corporation will successfully implement new technologies or adapt its website, proprietary technology and transaction-processing systems to customer requirements or emerging industry standards. If the Corporation is unable to adapt in a timely manner in response to changing market conditions or customer requirements for technical, legal financial or other reasons, the Corporation's business could be materially adversely affected.

Intellectual Property
Proprietary rights are important to the Corporation's success and its competitive position. Although the Corporation seeks to protect its proprietary rights, its actions may be inadequate to protect any trademarks and other proprietary rights or to prevent others from claiming violations of their trademarks and other proprietary rights. In addition, effective copyright and trademark protection may be unenforceable or limited in certain countries, and the global nature of the Internet makes it impossible to control the ultimate designation of the Corporation's work. Any of these claims, with or without merit, could subject the Corporation to costly litigation and the diversion of the time and attention of its technical management personnel.

Government Regulation and Compliance
Any non-compliance with U.S. Treasury Department currency transaction reporting procedures could result in significant financial penalties and the possibility of criminal prosecution. While the Corporation is largely exempt from these procedures given that (i) transactions originating with hospitality sector clients are subject to certain floor limits that represent a small fraction of the reporting threshold limits, and (ii) transactions originating with banks are subject to the banks own internal compliance reporting procedures, effectively relieving the Corporation of this responsibility, the risk is nevertheless present.
Several countries prohibit non-banks from providing currency exchange transaction services. While the Corporation believes the possibility is remote, the risk does exist risk the United States government may someday institute regulations to prohibit non-banks from providing foreign currency exchange services.

Network Security Risks
Despite the implementation of network security measures by the Corporation, its infrastructure is potentially vulnerable to computer break-ins and similar disruptive problems. Concerns over Internet security have been, and could continue to be, a barrier to commercial activities requiring consumers and businesses to send confidential information over the Internet. Computer viruses, break-ins or other security problems could lead to misappropriation of proprietary information and interruptions, delays or cessation in service to the Corporation's clients. Moreover, until more comprehensive security technologies are developed, the security and privacy concerns of existing and potential clients may inhibit the growth of the Internet as a medium for commerce.

Risk factors (continued)

Risk of System Failure or Inadequacy

The Corporation's operations are dependent on its ability to maintain its equipment in effective working order and to protect its systems against damage from fire, natural disaster, power loss, telecommunications failure or similar events. In addition, the growth of the Corporation's customer base may strain or exceed the capacity of its computer and telecommunications systems and lead to degradations in performance or systems failure. The Corporation may in the future experience failure of its information systems which may result in decreased levels of service delivery or interruptions in service to its customers. While the Corporation continually reviews and seeks to upgrade its technical infrastructure and provides for certain system redundancies and backup power to limit the likelihood of systems overload or failure, any damage, failure or delay that causes interruptions in the Corporation's operations could have a material and adverse effect on the Corporation's business.

In addition, some of the Corporation's applications are hosted by third parties. Any failure on the part of third parties to maintain their equipment in good working order and to prevent system disruptions could have a material and adverse effect on the Corporation's business.

Theft & Risk of Physical Harm to Personnel

The Corporation stores and transports bank notes as part of its daily business and faces the risk of theft and employee dishonesty.

The Corporation maintains a crime insurance policy which provides coverage against theft and employee dishonesty, but any particular claim is subject to verification that it is within policy limits which may not be assured and may require legal proceedings to enforce coverage. Of particular concern are circumstances where employees could collude with customers to engage in theft by evasion of internal and other controls and cause damage which may not be predictable or within the terms of existing insurance coverage. The Corporation's Audit Committee monitors internal controls and the CEIFX technology monitors and account for all fund balances in real time.

In addition, employees and agents of the Corporation are potentially subject to physical harm if subjected to a forcible robbery. The Corporation has an internal risk committee which manages the deployment of a comprehensive security program which includes surveillance cameras, alarms, safe/vault equipment alarms and additional intrusion protection devices, as well as multiple staff on site at all times.

Reliance on Key Personnel

The Corporation currently has a small senior management group, which is sufficient for the Corporation's present level of activity. The Corporation's future growth and its ability to develop depend, to a significant extent, on its ability to attract and retain highly qualified personnel. The Corporation relies on a limited number of key employees, consultants and members of senior management and there is no assurance that the Corporation will be able to retain such key employees, consultants and senior management. The loss of one or more of such key employees, consultants or members of senior management, if not replaced, could have a material adverse effect on the Corporation's business, financial condition and prospects.

The development of the Corporation is dependent upon its ability to attract and retain key personnel, particularly the services of the President and CEO, Randolph W. Pinna. The loss of Mr. Pinna's services could have a materially adverse impact on the business of the Corporation. There can be no assurance that the Corporation can retain its key personnel or that it can attract and train qualified personnel in the future. The Corporation currently has key person insurance on Mr. Pinna of $2.5 million.

Risk factors (continued)

Control of the Corporation
Randolph W. Pinna, the President, Chief Executive Officer and Chairman of the Corporation, is the principal shareholder of the Corporation and the promoter of the Corporation. Mr. Pinna beneficially owns 1,549,270 of the issued and outstanding Common Shares representing approximately 39% of the Common Shares.

Dr. Sanford Pinna is one of seven directors of the Corporation and owns 3,000 Common Shares representing approximately 0.08% of the Common Shares issued and outstanding. Dr. Pinna is not an independent director as he is an immediate family member of Randolph W. Pinna.

By virtue of his status as the principal shareholder of the Corporation, by being a director and officer of the Corporation and having an immediate family member who is also a director and a shareholder, Randolph W. Pinna has the power to exercise significant influence over all matters requiring shareholder approval, including the election of directors, amendments to the Corporation's articles and by-laws, mergers, business combinations and the sale of substantially all of the Corporation's assets. As a result, the Corporation could be prevented from entering into transactions that could be beneficial to the Corporation or its other shareholders. Also, third parties could be discouraged from making a take-over bid. As well, sales by Randolph W. Pinna of a substantial number of Common Shares could cause the market price of Common Shares to decline.

All of the Common Shares issued to Randolph W. Pinna were placed in escrow following completion of the Offering. As of the date of the MD&A 75% of such securities in escrow have been released.

Mr. Randolph Pinna's influence over the control of the corporation is mitigated by the Corporation's appointment of a Lead Independent Director, Chirag Bhavsar, on December 7, 2012 as well as the independent majority of its board and its committees.

Global Economic and Financial Market Conditions
Recent market events and conditions, including disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and global economic conditions, could, among other things, impact tourism and impede access to capital or increase the cost of capital, which would have an adverse effect on the Corporation's ability to fund its working capital and other capital requirements.

Notwithstanding various actions by U.S., Canadian and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have caused the broader credit markets to deteriorate. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These disruptions in the current credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, such as the Corporation.
These disruptions could, among other things, make it more difficult for the Corporation to obtain, or increase its cost of obtaining, capital and financing for its operations. The Corporation's access to additional capital may not be available on terms acceptable to the Corporation or at all.

Risk factors (continued)

Market Price and Volatile Securities Markets

Worldwide securities markets have been experiencing a high level of price and volume volatility and market prices of securities of many companies have experienced unprecedented declines in prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Market forces may render it difficult or impossible for the Corporation to secure purchasers to purchase its securities at a price which will not lead to severe dilution to existing shareholders, or at all. In addition, shareholders may realize less than the original amount invested on dispositions of their Common Shares during periods of such market price decline.

International Issuer, Management and Directors

The Corporation is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada. Substantially all of the Corporation’s assets are located outside of Canada. Certain of the officers, directors and the promoter of the Corporation reside outside of Canada. Although the Corporation and such persons have appointed Peterson Law Professional Corporation as their agents for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against the Corporation or such persons.