CURRENCY EXCHANGE INTERNATIONAL, CORP.

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX-MONTH PERIODS ENDED APRIL 30, 2021 AND 2020

Scope of Analysis

This Management Discussion and Analysis ("**MD&A**") covers the results of operations, and financial condition of Currency Exchange International, Corp. and its subsidiaries (together, the "**Company,**" or "**CXI**") for the three- and six-months ended April 30, 2021, including the notes thereto. This document is intended to assist the reader in better understanding and assessing operations and the financial results of the Company.

This MD&A has been prepared as at June 10, 2021 in accordance with International Financial Reporting Standards ("**IFRS**) issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**") and should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three- and six-month periods ended April 30, 2021 and 2020, and the notes thereto. A detailed summary of the Company's significant accounting policies is included in note 2 of the Company's audited consolidated financial statements for the year ended October 31, 2020. 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**"), 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 unaudited condensed interim consolidated financial statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

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

Additional Information

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

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”, or variations of, 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 speaks only as of the date of this MD&A or as of the date 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	Exchange rate and interest rate fluctuations

Inherent in forward-looking information are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section beginning on page 22. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking information in this MD&A, and that 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 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 or 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

CXI is a publicly traded company (TSX:CXI;OTCBB:CURN), 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, and other commercial clients through its proprietary payments' platform, company owned branches and vaults, and inventory on consignment locations, throughout the United States and Canada, by utilizing the Company's sophisticated software application, CEIFX. 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, restricted access to both the software and its source code, and secure maintenance of source code by the head office. CEIFX is updated regularly and ongoing system development and enhancement is a core activity of the Company. CXI had 262 employees at April 30, 2021, of which 63 were part-time.

Issuance of banking license

On November 23, 2012, the Company submitted its application to continue its wholly owned Canadian subsidiary, Currency Exchange International of Canada Corp ("**CXIC**"), as a new Canadian Schedule I bank. In September of 2016, the Office of the Superintendent of Financial Institutions ("**OSFI**") and the Minister of Finance issued letters patent for the bank, which continued operations as Exchange Bank of Canada ("**EBC**"). The head office of EBC is located in Toronto, Ontario, Canada.

The objective of EBC is to become a leading "banker's bank" for foreign exchange products and services. Obtaining a Canadian bank charter benefits the Canadian banking system by providing a domestic alternative for foreign exchange services to financial institutions and commercial entities in Canada. The foreign currency bank note market for financial institutions in Canada is primarily serviced by foreign financial institutions. A Canadian bank charter affords the Company numerous advantages including the opportunity to bank with Central Banks, thereby obtaining a source of stable, cost-effective funds, as well as collateral reductions with correspondent banks, and enhancing existing financial institution relationships.

Background

The Company has the following sources of revenues which are reported as commissions and fees:

Commission revenue comprises 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 open foreign exchange positions to market value, together with the net gain or loss from foreign currency forward and option contracts used to offset the revaluation of inventory positions and commissions paid to bank and non-bank 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; and

Fee revenue comprises the following:

i. Fees generated at the Company's branch locations and certain inventory on consignment locations from foreign currency (bank note) exchange, traveler's cheques, currency price protection and fees collected on payroll cheque cashing; and

ii. Fees collected on foreign-denominated wire transfers, drafts, and cheque clearing transactions.

Overview (continued)

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

The Company operates four main vaults (one of which is temporarily closed), that serve Canada and the United States as well as two small vaults that serve local markets on the West Coast and Northeast Regions of the United States and serve as distribution centers for its branch network as well as order fulfillment centers for its clients including financial institutions, money service businesses, and other corporate clients. Revenues generated from vaults have greater scale as the Company maintains a sales force to increase its geographic customer base. Exchange rate margins vary from customer to customer and are dependent on criteria such as exchange volumes and customer setup. On-boarding of new clients, specifically banking clients, normally requires an upfront investment, such as training, and currency signage, as well as additional one-time shipping costs to distribute start-up materials. The Company also normally absorbs information technology costs to customize the CEIFX 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 bank note 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 on-boarding clients is low;

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 client 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 on-boarding is higher as these clients normally require additional training and support;

CXI and EBC currently maintain inventory in the form of domestic and foreign bank notes in financial institutions and other high traffic locations. These locations can be very profitable as there are no occupancy costs or payroll. Foreign exchange currency is placed in these locations on a consignment basis. At April 30, 2021 the Company had inventory on consignment in 703 locations, primarily located inside financial institutions across the United States and Canada. To encourage inventory turnover, the Company pays commissions as a percentage on volumes generated by these locations.

The Company operates 35 branch locations that are located in typically high tourist traffic areas across the United States, staffed by CXI employees. These locations hold domestic and foreign currencies to buy and sell on demand. The currency exchange margins associated with the transactions occurring at these locations are generally higher in order to recapture costs of deployed capital in the form of domestic and foreign currencies, rent, payroll, and other general and administrative costs. Company owned branch locations generally act as a net buyer of foreign currency whereas CXI is generally a net seller 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 expressed in U.S. Dollars unless otherwise noted)

Overview (continued)

In the years prior to the COVID-19 pandemic, the Company had steadily grown its branch network to 46 locations, in addition to the number of wholesale relationships. In response to the significant decline in travel and tourism as a result of measures taken to control the spread of the coronavirus, the Company permanently closed 12 branch locations, the last of which on December 31, 2020. The Company capitalized on an opportunity to secure a new location in a strategic market, opening a branch in Costa Mesa, CA on November 09, 2020. Below is a summary of the Company's wholesale company relationships and transacting locations as well as a listing of its 35 branch locations at April 30, 2021.

Store	City	State	Start date	Store	City	State	Start date
Alderwood Mall	Lynnwood	WA	2019	Mechanics Bank - Berkeley	Berkeley	CA	2007
Apple Bank - Avenue of Americas	New York	NY	2011	Mechanics Bank - San Francisco	San Francisco	CA	2008
Apple Bank - Grand Central Station	New York	NY	2011	Mission Valley	San Diego	CA	2015
Apple Bank - Penn Station	New York	NY	2013	Montgomery at Bethesda	Bethesda	MD	2013
Apple Bank - Upper East Side	New York	NY	2014	North County	Escondido	CA	2017
Apple Bank - Union Square	New York	NY	2014	Ontario Mills Mall	Ontario	CA	2007
Arundel Mills Mall	Hanover	MD	2012	Pearl Ridge	Aiea	HA	2019
Aventura Mall	Aventura	FL	2008	Potomac Mills Mall	Woodbridge	VA	2007
Cherry Creek	Denver	CO	2014	San Francisco City Center	San Francisco	CA	2011
Citadel Outlets	Los Angeles	CA	2014	San Jose Great Mall	San Jose	CA	2011
Copley Place Mall	Boston	MA	2009	Santa Monica Place	Santa Monica	CA	2012
Dadeland Mall	Miami	FL	2009	Sawgrass Mills Mall Booth #1	Sunrise	FL	2007
Dolphin Mall	Miami	FL	2009	Shops at Northbridge	Chicago	IL	2013
Florida Mall Booth #1	Orlando	FL	2007	SouthCenter	Tukwila	WA	2012
Garden State Plaza	Paramus	NJ	2015	SouthCoast Plaza	Costa Mesa	CA	2020
International Market Place	Honolulu	HI	2016	The Orlando Eye	Orlando	FL	2015
MacArthur Mall	Norfolk	VA	2009	Tyson's Corner Center	Tyson's Corner	VA	2014
Mainplace at Santa Ana	Santa Ana	CA	2013				

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	Q1 2021	Q2 2021
Company owned branch locations	38	41	43	46	35	35	35
Wholesale company relationships*	927	954	1,267	1,878	1,667	1,816	2,002
Number of transacting locations*	11,975	14,587	17,017	21,595	14,787	14,469	11,712

*These numbers show the companies and locations that transacted within the period specified.

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 consignment locations to facilitate the buying and selling of foreign currency, as well as foreign currency notes held at the Company's vaults, branch locations, consignment locations, or cash inventory in transit between Company locations. The Company also has traditional bank deposits 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. 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 counterparty risk is generally low, as the majority of the Company's receivables 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, with one exception (see note 21 to the consolidated financial statements).

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

Overview (continued)

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

SELECTED FINANCIAL DATA

The below chart summarizes the performance of the Company over the last eight fiscal quarters.

Three-months ending	**Revenue**	**Net operating income (loss)**	**Net income (loss)**	**Total assets**	**Total equity**	**Earnings (loss) per share (diluted)**
	$	**$**	**$**	**$**	**$**	**$**
4/30/2021	6,573,570	(558,010)	(924,691)	79,856,635	56,520,124	($0.14)
1/31/2021	5,089,429	(1,315,151)	(1,721,104)	82,354,069	57,039,436	(0.27)
10/31/2020	4,935,917	(1,852,195)	(3,465,632)	85,758,517	58,229,735	(0.54)
7/31/2020	3,879,873	(1,993,117)	(2,274,719)	96,105,961	61,462,798	(0.35)
4/30/2020	6,323,344	(1,303,410)	(2,942,948)	99,263,039	62,965,874	(0.46)
1/31/2020	9,874,289	1,162,930	159,274	108,319,219	66,323,630	0.02
10/31/2019	11,469,079	1,863,442	769,393	82,729,714	66,329,035	0.13
7/31/2019	12,402,484	2,935,899	1,820,768	81,719,233	65,447,949	0.28

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

On March 11, 2020 the World Health Organization officially declared COVID-19, the disease caused by a novel coronavirus (“COVID-19”), a pandemic. The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada and the United States of America, businesses have been forced to cease or limit operations for long or indefinite periods of time. Measures have been taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of nonessential services. These measures have triggered significant disruptions to business worldwide, resulting in reduced economic activity. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. In response to measures implemented to curtail the effects of COVID-19, the Company permanently closed 12 of its retail locations, and one vault on a temporary basis. In addition, the Company restructured its operations, including a consolidation of management positions, resulting in a 26% reduction in employee headcount, from 361 at March 11, 2020 to 262 at April 30, 2021. Many of the Company’s commercial customers have been impacted by the pandemic, resulting in significantly reduced demand for banknotes. While the Company continues to operate, it is not possible to reliably estimate the duration and severity of these consequences as well as their impact on the financial position and results of future periods.

Selected Financial Results for the six-months ended April 30, 2021 and 2020

The Company continued its progression along its three-year strategic plan in the three-month period ended April 30, 2021, that included the following highlights:

i. Continued its growth in the international payments segment in Canada, initiating trades with 210 corporate clients that had not previously transacted with the Company, enabling it to more than double its payment revenue over the same quarter in the prior year.
ii. Increased its penetration of the financial institution sector in the United States with the addition of 42 new clients, representing 112 locations. Also, the Company has begun the integration of its CXIFX software solution with Jack Henry, a major software platform for the financial institution industry that will increase the addressable market for CXI by improving access to more than 1,100 clients when expected completion occurs by the beginning of fiscal 2022;
iii. Increased its penetration in the global banknote market with the addition of a European-based financial institution client;

The Company generated revenue for the three-month period ended April 30, 2021 of $6,573,570, a 4% increase over the three-month period ended April 30, 2020. This represents an inflection point for the Company, as the revenue in the prior year period included revenue prior to the declaration of the COVID-19 pandemic on March 11, 2020. While revenue between the two periods is relatively consistent, the operating expenses as a percentage of revenue has improved, demonstrating progression towards the Company's goal of returning to positive operating leverage. This reflects the positive impact from the restructuring actions taken in 2020 to re-size the business. Relative to the three-month period ended January 31, 2021, the Company has increased its revenue by 29% and decreased its net loss by 46%, demonstrating tangible progress towards an anticipated return to profitability. While international travel and tourism continued to depress consumer demand for foreign currencies in the three-months ended April 30, 2021, there are positive indicators that the increasing prevalence and availability of COVID-19 vaccines on an international scale will help to significantly reduce the effect of COVID-19. Some jurisdictions have begun to lessen restrictions and the European Union recently announced that vaccinated persons will be able to travel to Europe. These actions will enable vaccinated people to travel this summer, which may lead to the long-anticipated recovery in travel and tourism to begin, which has been approximately 85% below pre-COVID-19 pandemic levels. During the six-month period ended April 30, 2021, the number of transactions between the Company and its customers decreased 73% to 107,000 from 396,0000 for the same period in the previous year. By line of business, payments revenue increased 97% or $1,586,275 over the prior year, and banknotes decreased by 42% or $6,120,910

Notwithstanding the impact that a potential recovery may have on the Company's revenue, it has been pursuing a strategy of diversification to reduce reliance on consumer driven banknote trade. This has included not only growing its international payments segment, but also increasing its presence in the global trade of banknotes with financial institutions in other countries. Since April 30, 2020, the Company has added 768 new customer relationships comprising 1,196 locations, of which 274 relationships representing 608 locations were added in the United States and 494 relationships representing 588 locations were added in Canada. Approximately one-half of the new customer relationships in Canada were acquired in the business combination on July 29, 2020.

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

Selected Financial Results for the six-months ended April 30, 2021 and 2020

CXI has a strong capital base and liquidity position to continue to meet its financial obligations. Management is executing against a three-year strategic plan with a multi-pronged approach to return to profitability through increased penetration in a consolidating market, continued acquisition of corporate payment clients, and expansion in the international marketplace. CXI is well-positioned to support additional growth initiatives, including prospective merger and acquisition opportunities.

	April 30, 2021	**October 31, 2020**
Total assets	79,856,635	85,758,517
Total long term financial liabilities	4,233,081	4,065,164
Total equity	56,520,124	58,229,735

	Six months ended April 30, 2021 $	**Six months ended April 30, 2020 $**	**Three-months ended April 30, 2021 $**	**Three-months ended April 30, 2020 $**
Revenue	11,662,999	16,197,633	6,573,570	6,323,344
Operating expenses	13,536,160	16,338,113	7,131,580	7,626,754
Net Operating loss	**(1,873,162)**	**(140,480)**	**(558,010)**	**(1,303,410)**
Other (loss) income	(84,122)	8,882	(86,560)	3,014
Government Grants	652,157	-	473,121	-
Other expenses	(109,665)	(1,012,946)	(108,011)	(1,012,946)
EBITDA*	(1,414,792)	(1,144,544)	(279,461)	(2,313,342)
Net loss	**(2,645,797)**	**(2,783,676)**	**(924,691)**	**(2,942,948)**
Basic (loss) earnings per share	(0.41)	(0.43)	(0.14)	(0.46)
Diluted (loss)earnings per share	(0.41)	(0.43)	(0.14)	(0.46)

*Earnings befpre interest, taxes. Depreciation and amortization

Results of operations – six-month periods ended April 30, 2021 and 2020

Revenue for the six-month period ended April 30, 2021 declined by 28% over the same period in the prior year. The decline reflects the unprecedented impact that the COVID-19 pandemic-related travel restrictions have had on consumer demand for banknotes. The decline in the United States also reflects the reduction in retail branch locations, which decreased by 24% to 35 locations at April 30, 2021, from 46 at April 30, 2020. The Company expects consumer demand for foreign banknotes to be weak until such time as the risk of transmission from COVID-19 is reduced to an acceptable level that stimulates international travel and tourism. To mitigate this impact, the Company continues to grow the payment business, which increased by 97% in the six-month period ended April 30, 2021 as compared to the same period in the prior year. In addition, the Company has partially offset the decline in revenue by reducing its cost structure through a number of measures that were implemented in the year ending October 31, 2020.

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

Results of operations – six-month periods ended April 30, 2021 and 2020 (continued)

A breakdown of revenue by geographic location is presented below:

	Six months ended April 30, 2021 $	Six months ended April 30, 2020 $	Change $	Change %
	Revenues by Geography			
United States	8,793,658	12,357,811	(3,564,153)	-29%
Canada	2,869,340	3,839,822	(970,482)	-25%
Total	**11,662,999**	**16,197,633**	**(4,534,634)**	**-28%**
	Revenues by Product Line			
Banknotes	8,444,228	14,565,138	(6,120,910)	-42%
Payments	3,218,770	1,632,495	1,586,275	97%
Total	**11,662,999**	**16,197,633**	**(4,534,634)**	**-28%**

During the six-month period ended April 30, 2021, operating expenses decreased 17% to $13,536,160 compared to $16,338,113 for the six-month period ended April 30, 2021. The major components of operating expenses are presented in the table below, with commentary for significant variances.

	Six months ended April 30, 2021 $	Six months ended April 30, 2020 $	Change $	Change %
Salaries and benefits	8,249,785	9,601,119	(1,351,334)	-14%
Rent	469,700	759,985	(290,285)	-38%
Legal and professional	1,026,683	1,209,834	(183,152)	-15%
Postage and shipping	896,582	1,785,487	(888,906)	-50%
Stock based compensation	501,058	498,263	2,795	1%
Travel and entertainment	91,930	304,350	(212,420)	-70%
Bank service charges	662,997	604,766	58,231	10%
Information technology	665,998	696,780	(30,782)	-4%
Losses and shortages	31,194	195,692	(164,498)	-84%
Insurance	357,609	219,596	138,013	63%
Other general and administrative	582,624	462,241	120,383	26%
Operating expenses	**13,536,160**	**16,338,113**	**(2,801,953)**	**-17%**

Salaries and benefits decreased 14% to $8,249,785 from $9,601,119. The changes in salaries and benefits reflects the impact of a year-over-year reduction in headcount, offset by increased costs related to employees. The employment base fell from 354 (135 part-time; 219 full-time) at April 30, 2020 to 262 (63 part-time; 199 full-time) at April 30, 2021 as a result of the restructuring actions in the banknote segment that included 12 branch closures in the periods subsequent to April 30, 2020. However, the Company has made investments in strategic initiatives, which has included the hiring of additional personnel to grow the payments segment. The Company also made adjustments to the vacation entitlement liability in fiscal year 2021, resulting in an increase in vacation expense by $190,261 in the six-months ended April 30, 2021 as compared to the same period in the prior year.

Results of operations – six-month periods ended April 30, 2021 and 2020 (continued)

Rent expense decreased 38% to $469,700 from $759,985 primarily due to the permanent closure of the retail locations as well as certain office space in Orlando and Toronto that was deemed surplus at October 31, 2020. The Company entered into an agreement to sublet its surplus office space in Toronto that commenced on April 1, 2021.

Legal and professional fees decreased 15% to $1,026,683 from $1,209,834 as a result of a conscious effort to reduce spending on advisors in the areas of internal audit, external counsel and other professional services.

Postage and shipping decreased 50% to $896,582 from $1,785,487 and is primarily a result of decreased revenue associated with the banknotes segment.

Stock-based compensation increased 1% to $501,058 from $498,263 in the six-month period ended April 30, 2020. Included in the amounts for the six-month period ended April 30, 2021 were expenses of $294,521 recognized for Restricted Stock Units (“RSU”) and Deferred Stock Unit (“DSU”)and DSU awards made on November 1, 2020. While these awards will be settled in cash, they are included in stock-based compensation as they are based on the market value of the Company’s common stock and are a component of its Long Term Incentive Plan (“LTIP”) for both management and Directors.

Travel and entertainment expenses decreased 70% to $91,930 from $304,350 which is consistent with expectations given management’s continued effort to reduce costs, and comply with COVID-19 safety regulations and travel bans. The Company is subsidizing the cost for certain employees to travel to work by car who, prior to the COVID-19 pandemic, used public transit. The affected employees are primarily supporting vault operations and cannot carry out their job functions from home.

Bank service charges increased 10% to $662,997 from $604,766. The increase is related primarily to increased volumes for payments activity. These charges are offset partially by fees collected on payments, which are captured in revenue. For the six-months ended April 30, 2021, the Company collected $278,120 from such fees, compared to $205,341 for the same period in 2020.

Information technology expenses decreased nominally to $665,998 from $696,780, as the Company has stabilized its spending in this area during the COVID-19 pandemic without compromising security or its ability to service customers.

Losses and shortages decreased 84% to $31,194 from $195,692. The expense recorded in 2020 was abnormally high, which was mainly driven by a theft of $67,000. The 2021 losses are well within acceptable tolerances.

Insurance expense increased 63% to $357,609 from $219,596, which is related to increased premiums across many insurance lines, the most significant of which was the Directors and Officers’ liability policy that was related to the COVID-19 pandemic.

Other general and administrative expenses increased 26% to $582,624 from $462,241. The variance of $120,383 relates primarily to losses that arise on foreign denominated balances. This is due to the significant appreciation of the Canadian dollar in the six-months ended April 30, 2021. This is partially offset by reduction in other operating costs, such as utilities and office supplies.

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

Results of operations – six-month periods ended April 30, 2021 and 2020 (continued)

The ratio of operating expenses to total revenue for the six-month period ended April 30, 2021 was 116% compared to 101% for the six-month period ended April 30, 2020, reflecting the significant reduction in revenue due to the ongoing COVID-19 pandemic. As a result of cost reduction actions taken in FY2020, the operating leverage should improve as banknote revenue is expected to increase when the risk of virus transmission is significantly reduced to enable the removal of international travel restrictions.

Other income and expenses are comprised of the following:

	Six months ended April 30, 2021 $	**Six months ended April 30, 2020 $**
Other income	18,421	8,882
Canada Emergency Wage and Rent Subsidy	652,157	-
Provision for loss	(112,299)	(1,012,946)
Gain on sale of assets	-	-
Other expenses	2,634	-
Interest expense	(131,569)	(287,305)
Interest on lease liabilities	(110,890)	(144,760)
Depreciation and amortization	(826,677)	(770,481)
Depreciation of right-of-use-assets	(841,087)	(1,036,457)
Restructuring and Impairment charges	(102,544)	-
Income tax expense (benefit)	679,217	599,871
Total other expense	**(772,636)**	**(2,643,194)**

The government grant income relates to the Company's subsidiary, Exchange Bank of Canada, that received support from two federal programs during the six-month period ended April 30, 2021. The Canada Emergency Wage Subsidy ("CEWS") program became effective for periods beginning on March 15, 2020 to support organizations that have been significantly impacted by the COVID-19 pandemic. Under this program, EBC received a subsidy of up to 75% of qualified employees' wages in each qualifying four-week period that it met certain tests for revenue reduction. Through April 30, 2021 EBC qualified for $550,448 in grants under the program, of which $188,824 was a receivable as of the reporting date. The Canada Emergency Rent Subsidy ("CERS") program became effective for periods beginning on September 27, 2020. Under this program, EBC received a subsidy for up to 68% of qualified rent expenses. Through April 30, 2021 EBC qualified for $101,709 in subsidies, of which $65,753 was a receivable as of the reporting date. There are no obligations, commitments or conditions associated with the programs that could create a requirement to repay all or a part of the grants.

At April 30, 2021 the Company recorded a third and final loss of $112,299 related to a customer that was declared bankrupt in 2020. The Company had previously recorded an initial loss of $1,012,946 on April 30, 2020 for amounts owed to it by the customer prior to the declaration of bankruptcy, followed by a subsequent provision on October 31, 2020 of $675,000 pursuant to a claim made by the Trustee in Bankruptcy to recover amounts it alleged the Company received from the customer in preference, and therefore in contravention of the Bankruptcy and Insolvency Act. On April 6, 2021, Company reached a settlement with the Trustee in Bankruptcy whereby the Company paid $825,000 of $1,000,000 in funds it was alleged to have received in preference. As part of the settlement, the Trustee accepted claims totaling $1,825,000 by the Company against the bankrupt. The Company expects a recovery in the range of 6% to 20% of the total claim to be realized when the bankrupt's assets are distributed. The Company has no additional liability, contingent or otherwise, related to this bankruptcy.

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

Results of operations – six-month periods ended April 30, 2021 and 2020 (continued)

Interest expense decreased to $131,569 from $287,305. The Company reduced its borrowing from credit facilities compared to last year where the reliance on the credit line was leveraged in order to maintain a high level of liquidity in response to the pandemic. There was also a marginal improvement in interest expense due to a lower borrowing rate.

Interest on lease liabilities calculated according to IFRS 16, decreased to $110,890 from $144,760 as a result of 3 branch closures since the onset of the COVID-19 pandemic.

Depreciation and amortization increased to $826,677 from $770,481 primarily driven by the addition of $2,580,424 in intangible assets, excluding goodwill, related to the acquisition of Denarius on July 29, 2020 (see note 5a to the consolidated financial statements at October 31, 2020).

Depreciation on right-of-use assets decreased to $841,087 from $1,036,457 because assets that were previously written down that related to the retail closures and surplus office space at October 31, 2020 led to a lower balance of Right of Use assets.

Income tax benefit increased to $679,217 from $599,871 in the six-month period ended April 30, 2021. The effective tax rate of 20% (2020 – 18%) was below the statutory rate of 26% in both years due to the non-recognition of $371,318 (2020 - $555,036) in tax benefits associated with losses in the Company's Canadian subsidiary that may be carried forward. In the six months ended April 30, 2021, the Company did recognize additional income tax benefits associated with the carryback of losses from fiscal 2020 in the U.S. that is permissible under the CARES Act. Combined with a research and development tax credit for the same year, an additional $250,358 was recognized that related to the prior year.

Results of operations – three-month periods ended April 30, 2021 and 2020

A breakdown of revenues by geographic location is presented below:

Revenue for the three-month period ended April 30, 2021 increased by 4% over the same period in the prior year. Payments have increased by 115% compared to prior year due mainly to the acquisition of DFG on July 29, 2020 and the expansion of the Payments sales team which have onboarded new clientele.

	Three-months ended April 30, 2021 $	Three-months ended April 30, 2020 $	Change $	Change %
		Revenues by Geography		
United States	5,119,514	4,356,771	762,743	18%
Canada	1,454,056	1,966,573	(512,517)	-26%
Total	**6,573,570**	**6,323,344**	**250,226**	**4%**
		Revenues by Product Line		
Banknotes	5,002,644	5,594,189	(591,545)	-11%
Payments	1,570,926	729,155	841,771	115%
Total	**6,573,570**	**6,323,344**	**250,226**	**4%**

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

Results of operations – three-month periods ended April 30, 2021 and 2020 (continued)

During the three-month period ended April 30, 2021, operating expenses decreased 17% to $7,131,580 compared to $8,639,699 for the three-month period ended April 30, 2021. The major components of operating expenses are presented in the table below, with commentary for significant variances.

	Three-months ended April 30, 2021 $	Three-months ended April 30, 2020 $	Change $	Change %
Salaries and benefits	4,195,730	4,702,598	(506,868)	-11%
Rent	214,889	354,492	(139,603)	-39%
Legal and professional	574,293	499,604	74,689	15%
Postage and shipping	499,208	806,535	(307,327)	-38%
Stock based compensation	281,062	240,790	40,271	17%
Travel and entertainment	52,581	109,521	(56,940)	-52%
Bank service charges	337,812	324,195	13,617	4%
Information technology	346,435	379,793	(33,358)	-9%
Losses and shortages	9,087	57,671	(48,584)	-84%
Insurance	188,185	115,237	72,948	63%
Other general and administrative	432,299	36,318	395,981	1090%
Operating expenses	**7,131,580**	**7,626,754**	**(1,508,119)**	**-17%**

Salaries and benefits decreased 11% to $4,195,730 from $4,702,598 which reflects the impact of a year-over-year reduction in headcount by 122 as the employment base fell from 361 at March 11, 2020 to 262 at April 30, 2021 as a result of the restructuring actions that included 12 branch closures in the periods subsequent to January 31, 2020. This was partially offset by an increase in personnel in the payments segment, including the employees associated with the acquisition on July 29, 2020. In addition, vacation expense of $94,130 was recognized in the three-month period ended April 30, 2021 that reflects an increase in unused vacation entitlement for the Company's employees.

Rent expense decreased 39% to $214,889 from $354,492 primarily due to the closure of the retail locations as well as certain office space in Orlando and Toronto that was deemed surplus at October 31, 2020.

Legal and professional fees increased 15% to $574,293 from $499,604 due to legal fees related to the settlement with the Trustee in Bankruptcy discussed in the explanation for the loss provisions, as well as an increase in business initiatives during the quarter that required third-party consultation.

Postage and shipping decreased 38% to $499,208 from $806,535 and is primarily a result of decreased revenue associated with the banknotes segment.

Stock-based compensation increased 17% to $281,062 from $240,790 for options vested during the period that includes $206,924 related to RSU and DSU awards as previously described. While the composition of stock-based compensation has changed with the implementation of the RSU and DSU awards, the overall cost of the LTIP program is consistent with the prior year.

Information technology expenses increased nominally to $346,435 from $379,793, as the Company has stabilized its spending in this area during the pandemic without compromising security or its ability to service customers.

Losses and shortages decreased 84% to $9,087 from $57,671, which is consistent with the reduced sales volume, and within acceptable tolerances.

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

Results of operations – three-month periods ended April 30, 2021 and 2020 (continued)

Insurance expense increased 63% to $188,185 from $115,237, which is related to the aforementioned increase in insurance premiums.

Other general and administrative expenses increased to $432,299 from $36,323. Other expenses comprise licenses and fees, utilities, office supplies, foreign exchange gain and losses, and other general and administrative expenses. The principal reasons for the increase of $395,981 was related to net losses on the translation of foreign-denominated balances in Exchange Bank of Canada as compared to a net gain in the comparative period in the prior year.

The ratio of operating expenses to total revenue for the three-month period ended April 30, 2021 was 108% compared to 121% for the three-month period ended April 30, 2020, reflecting the significant reduction in revenue due to the ongoing COVID-19 pandemic. As a result of cost reduction actions taken in FY2020, the operating leverage should improve as banknote revenue is expected to increase when the risk of virus transmission is significantly reduced to enable the removal of international travel restrictions.

	Three months ended April 30, 2021 $	**Three months ended April 30, 2020 $**
Other income	16,399	3,013
Government grants	473,121	-
Provision for loss	(112,299)	(1,012,946)
Gain on sale of assets	-	-
Other expenses	4,288	-
Interest expense	(51,283)	(149,103)
Interest on lease liabilities	(45,202)	(70,804)
Depreciation and amortization	(416,662)	(383,599)
Depreciation of right-of-use-assets	(414,803)	(518,440)
Income tax expense (benefit)	282,720	492,339
Total other income (expense)	**(263,721)**	**(1,639,539)**

The government grant income relates to the Company's subsidiary, Exchange Bank of Canada that received support from two federal programs during the three-month period ended April 30, 2021. The Canada Emergency Wage Subsidy ("CEWS") program became effective for periods beginning on March 15, 2020 to support organizations that have been significantly impacted by the COVID-19 pandemic. Under this program, EBC received a subsidy of up to 75% of qualified employees' wages in each qualifying four-week period that it met certain tests for revenue reduction. Through January 31, 2021 EBC qualified for $150,296 in grants under the program, of which $146,457 was a receivable as of the reporting date. The Canada Emergency Rent Subsidy ("CERS") program became effective for periods beginning on September 27, 2020. Under this program, EBC received a subsidy for up to 68% of qualified rent expenses. Through January 31, 2021 EBC qualified for $28,741 in subsidies, all of which was a receivable as of the reporting date. There are no obligations, commitments or conditions associated with the programs that could create a requirement to repay all or a part of the grants.

Please see the discussion on the results for the six-month period ended April 30, 2021 for information on the loss provision.

Interest expense decreased to $51,283 from $149,103, due to the reduction in borrowing from credit facilities compared to last year where the reliance on the credit line was leveraged in order to maintain a high level of liquidity in response to the pandemic. There was also a marginal improvement in interest expense due to a lower borrowing rate.

Interest on lease liabilities decreased to $45,202 from $70,804 as a result of three branch closures since the onset of the global pandemic.

Results of operations – three-month periods ended April 30, 2021 and 2020 (continued)

Depreciation and amortization increased to $416,662 from $383,599 primarily driven by the addition of $2,580,424 in intangible assets, excluding goodwill, related to the acquisition of Denarius on July 29, 2020 (see note 5a to the consolidated financial statements at October 31, 2020). The incremental expense associated with the additions is partially offset by the elimination of depreciation and amortization on assets that became fully depreciated after April 30, 2019.

Depreciation on right-of-use assets decreased to $414,803 from $518,440 as a result of assets that were previously written down that related to the retail closures and surplus office space at October 31, 2020.

Income tax benefit decreased to $282,720 from $492,339 in the three-month period ended April 30, 2021.The variance is consistent with the change in pre-tax losses. The income tax benefit represents an effective tax rate of 23.4% compared to the statutory tax rate of 26.5%. The difference is due to the non-recognition of tax benefits associated with losses in the Company's Canadian subsidiary, offset by additional benefits recognized in the quarter that relate to fiscal 2020 as described in the commentary on the six-month period, above.

Cash flows

Cash flows from operating activities during the six-month period ended April 30, 2021 resulted in an outflow of $2,424,609, compared to an outflow of $2,023,529 during the six-month period ended April 30, 2020. Approximately 23% of the decrease in operating cash flow was due to the impact of the net loss adjusted for non-cash items, while the remainder was due to changes in working capital, driven primarily by a significant decline in accounts payable. The actual amount of accounts receivable and accounts payable fluctuates from period to period due to the volume of activity and timing differences. In most instances, accounts receivable and accounts payable have a settlement cycle of 24 to 48 hours. Operating cash flow is generated by commission and fee income and is offset by operating expenses.

Cash flows from investing activities during the six-month period ended April 30, 2021 resulted in an outflow of $210,707 compared to an outflow of $367,357 during the six-month period ended April 30, 2020. The primary reason for the inflows related to the acquisition of Denarius on July 29, 2020 (see note 5a to the consolidated financial statements at October 31, 2020).

Cash flows from financing activities during the six-month period ended April 30, 2021 resulted in an outflow of $3,957,016 compared to inflow of $19,898,979 during the six-month period ended April 30, 2020. The Company decreased usage of its line of credit to $435,764 on April 30, 2021 compared to a balance of $18,945,465 on April 30, 2020.

Liquidity and capital resources

At April 30, 2021, the Company had working capital of $46,731,231(October 31, 2020 - $47,755,694).

The Company maintains three lines of credit to meet borrowing needs during peak business periods. The Company has a revolving line of credit with BMO Harris Bank, N.A. with a limit of $20,000,000. The credit line is secured against the Company's cash and other assets. The line of credit bears interest at LIBOR plus 2.0% (at April 30, 2021 – 2.11% (October 31, 2020 – 2.15%)). At April 30, 2021, the balance outstanding was $340,939 (October 31, 2020 - $Nil).

On January 25, 2021, the Company's wholly-owned Canadian subsidiary, EBC, terminated its revolving line of credit with Bank of Montreal that had a limit of CAD 6,000,000 ($4,694,836). At January 31, 2021, the balance outstanding was $Nil (October 31, 2020 - $3,305,605). In its place, the Bank established a fully collateralized revolving line of credit with Desjardins Group ("Desjardins") on October 19, 2020 with

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

Liquidity and capital resources (continued)

a limit of CAD 2,000,000 ($1,564,945), being secured against cash collateral of CAD 2,000,000 ($1,564,945). The line of credit bears interest at CAD prime rate plus 0.25% (at April 30, 2021- 2.70% (October 31, 2020 – 2.70%)). At April 30, 2021, the balance outstanding was $94,825 (October 31, 2020 - $Nil).

On April 7, 2021, EBC entered into a Revolving Credit Facility with a private lender. The facility is guaranteed by the parent company and is subordinated to the parent company's obligations to its primary lenders. The facility will be used for working capital purposes of daily operational activity. The credit facility has a limit of $10,000,000 USD, with a maximum amount of up to $20,000,000, with a maturity date of three years (April 7, 2024). It bears interest of 6% per annum, and has a standby charge of $1,500 USD per month if total interest is less than $20,000 USD.

The Company had a total available balance of unused lines of credit of $31,127,301 at April 30, 2021 (October 31, 2020 - $22,701,303).

Selected annual financial information

The following tables set out selected consolidated financial information of the Company for the periods indicated. Each investor should read the following information in conjunction with those 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 consolidated financial statements of the Company.

	Year ended October 31, 2020 $	Year ended October 31, 2019 $	Year ended October 31, 2018 $	Year ended October 31, 2017 $
Revenues	**25,013,423**	**41,784,043**	**39,098,141**	**32,477,220**
Net operating income	(3,985,791)	6,152,042	8,137,804	7,921,509
Net income	**(8,524,029)**	**2,924,720**	**4,227,243**	**3,821,469**
Basic earnings per share	($1.33)	$0.46	$0.67	$0.62
Diluted earnings per share	($1.33)	$0.46	$0.67	$0.61
Total assets	85,758,518	82,729,716	73,267,274	63,968,227
Total liabilities	27,528,783	16,400,679	10,545,337	7,475,609
Total non-current financial liabilities	4,065,164	-	-	-
Working capital	**47,755,694**	**58,932,941**	**59,483,137**	**52,778,077**

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 on the financial condition of the Company.

Forward and option contract activity

The Company enters into non-deliverable foreign currency forward and option contracts on a daily basis to mitigate the risk of fluctuations in the exchange rates of its holdings of major currencies. Changes in the fair value of the contracts and the corresponding gains or losses are recorded daily and are included in commissions from trading 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.

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

Forward and option contract activity (continued)

The fair value of forward and option contracts, which represents the amount that would be (paid) received by the Company if the forward contracts were terminated at April 30, 2021 was $111,507 (October 31, 2020 - $92,447).

At April 30, 2021 the Company had cash collateral balances related to forward contracts being held of $1,170,964 (October 31, 2020 - $1,461,747). They are reflected as restricted cash held in escrow in the consolidated statements of financial position.

Transactions with related parties

The remuneration of directors and key management personnel during the three-and six-month periods ended April 30, 2021 and 2020 were as follows:

	Six-months ended		**Three-months ended**	
	April 30, 2021	**April 30, 2020**	**April 30, 2021**	**April 30, 2020**
	$	$	$	$
Short-term benefits	1,311,921	1,469,924	725,169	820,004
Post-employment benefits	19,935	49,425	14,892	17,120
Stock based compensation	132,400	497,155	131,939	240,242
Restricted and Deferred Share Units	206,924	0	294,521	-
	1,671,180	**2,016,504**	**1,166,521**	**1,077,367**

The Company incurred legal and professional fees in the aggregate of $19,677 and $80,622 for the three- and six-month periods ended April 30, 2021 (2020 - $57,078 and $102,990) charged by entities controlled by directors or officers of the Company.

The Company has clients that are considered related parties through two of its directors. The Company generated $5,399 and $22,990 in revenue from these clients' activities for the three-and six-month period ended April 30, 2021 (2020 – $14,715 and $52,988). As at April 30, 2021, accounts receivable included $32,812 from related parties (2020 - $79,049).

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

Advances between CXI and EBC are provided under a $20,000,000 Revolving Line of Credit, renewed July 1, 2018 loans attract interest at LIBOR + 2%, are repayable on demand, and are unsecured. At April 30, 2021, the intercompany loan balance was $12,937,423 (October 31, 2020 - $8,565,000) 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 years ending October 31, 2020 and 2019, 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 expressed in U.S. Dollars unless otherwise noted)

Stock Option grants

The Company offers an incentive stock option plan which was established on April 28, 2011 and was amended most recently October 20, 2017 (the "**Plan**"). The Plan is a rolling stock option plan, under which 10% 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 of options occur 1/3 upon the first anniversary, 1/3 upon the second anniversary and 1/3 upon the third anniversary of the grant, and 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.

Date of Grant	Expiry Date	Share price at grant date (Cdn$)	Amount granted	Risk-free interest rate	Expected volatility	Exercise Price (Cdn$)*	Fair value of option at grant date ($)
6-Jun-17	6-Jun-22	20.79	9,865	1.71%	37%	21.53	5.27
9-Aug-18	9-Aug-23	30.93	10,200	2.80%	31%	30.69	7.74
23-Jan-19	23-Jan-24	30.14	4,127	2.60%	27%	28.23	7.18
4-Mar-19	4-Mar-24	25.98	13,316	2.50%	27%	25.83	5.65
4-Mar-19	4-Mar-24	17.03	30,000	1.58%	24%	17.36	3.07
4-Jun-19	4-Jun-24	17.03	5,837	1.58%	24%	17.36	3.07
23-Oct-19	23-Oct-24	17.03	72,376	1.58%	24%	17.36	3.07
23-Oct-19	23-Oct-24	17.03	228,754	1.58%	24%	17.36	3.07
24-Jun-20	24-Jun-25	12.50	7,586	0.33%	23%	12.74	1.87
24-Jun-20	24-Jun-25	12.50	22,369	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-30	10.00	322,352	0.34%	23%	10.83	1.33
28-Dec-20	28-Dec-30	10.80	2,431	0.37%	23%	9.31	2.97
28-Jan-21	28-Jan-31	11.00	3,873	0.41%	23%	11.02	2.55

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

The outstanding options at April 30, 2021 and the respective changes during the periods are summarized as follows:

	Number of options #	Weighted average price CDN$
Outstanding at October 31, 2020	732,803	14.01
Granted	6,304	10.36
Exercised	-	-
Cancelled through cashless exercise	-	-
Forfeited/Cancelled/Expired	(42,327)	14.77
Outstanding at January 31, 2021	696,780	14.02

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

Stock Option grants (continued)

The following options were outstanding and exercisable at April 30, 2021:

Grant Date	Exercise price (CAD$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
6-Jun-17	21.53	5,586	1.10	5,586
23-Jan-19	28.23	4,127	2.73	2,752
4-Mar-19	25.83	13,316	2.85	8,877
23-Oct-19	17.36	12,077	2.85	20,000
6-Apr-19	17.36	5,837	3.10	5,837
23-Oct-19	17.36	301,130	3.48	130,704
24-Jun-20	12.74	29,955	4.15	22,369
29-Jul-20	10.83	18,000	4.25	18,000
29-Oct-20	10.00	300,448	4.50	3,516
28-Dec-20	10.80	2,431	4.67	-
28-Jan-21	11.00	3,873	4.75	-
Total		696,780		217,641

On December 28, 2020 2,431 options were granted to an officer that surrendered options under the stock option exchange program that was announced on July 28, 2020. The replacement options have a weighted average exercise price of CAD10.36 and 10-year expiration date.

On January 28, 2021 3,873 options were granted to an officer which have a weighted average exercise price of CAD10.36 and 10-year expiration date.

In the six-months ended April 30, 2021, the Company recorded expenses of $206,538 related to stock-based compensation (2020 - $257,473).

Restricted Stock Unit and Deferred Stock Unit Plans

On November 1, 2020 the Company made its first grants under the Deferred Share Unit “DSU” Plan and Restricted Stock Unit “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 will occur 1/3 upon the first anniversary, 1/3 upon the second anniversary and 1/3 upon the third anniversary of the grant, while vesting for awards that may be granted under the Plans for directors will occur equally on a quarterly basis in the first year after the grant. All the awards have a three-year term, unless otherwise specified by the Board of Directors.

On November 1st, 2020, Restricted Stock Unit “RSU” and Deferred Stock Unit “DSU” awards were granted in the amount of $388,000 and $220,000 respectively. The Company recorded stock-compensation expenses of $294,521 related to RSUs and DSUs liability at April 30, 2021.

Subsequent events

The Company evaluated subsequent events through June 10, 2021, the date this MD&A was prepared.

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

Accounting standards and policies

The Company's accounting policies are described in note 2 to the Company's audited consolidated financial statements for the years ended October 31, 2020 and 2019.

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

Financial Risk factors

Outbreak of Infectious Diseases

The Company's banknote business, which represents a significant portion of commissions revenue, is highly correlated to international travel patterns by consumers. The Company's business has been and is expected to continue to be adversely affected by the effects of the widespread outbreak of respiratory illness caused by COVID-19 in its primary North American market, as well as by travel restrictions imposed by governments to limit the effects of COVID-19 on the health of the local and global population, including restrictions on air travel to and from North America. The Company cannot accurately predict the impact COVID-19 will have on its future revenue and business undertaking, due to uncertainties relating to the ultimate geographic spread of COVID-19, the severity of the disease, the duration of the pandemic, and the length of travel and quarantine restrictions imposed by governments of affected countries. As a result, the Company cannot be assured that measures it has taken, or may take in the future, for business continuity and cost containment will be effective as it is not possible to predict how the Company may be affected if COVID-19 pandemic persists for an extended period of time or in the event of similar health crises in the future.

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 has a strong repayment history, with one exception (see Note 21 to the unaudited interim financial statements).

Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods. They are atypically low at April 30, 2021 due to the reduction in economic activity caused by COVID-19 related impacts. A breakdown of accounts receivable by category is below:

	At April 30, 2021	**At October 31, 2020**
Customer type	**$**	**$**
Domestic and international financial institutions	4,478,329	2,923,202
Money service businesses	1,130,219	846,168
Other	466,904	2,141,993
Total	**6,075,452**	**5,911,363**

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.

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 limited exchange rate exposure as they are pegged to the U.S. Dollar, the reporting currency of the Company. Management believes its exposure to foreign currency fluctuations is mitigated by the short-term nature and rapid turnover of its foreign currency inventory, as well as the use in certain instances of forward and option contracts to offset these fluctuations. Due to their nature, some minor and exotic foreign currencies cannot be hedged or are too cost prohibitive to hedge.

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. 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 and in transit at April 30, 2021 was approximately $4,988,000 (October 31, 2020 - $6,010,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately $5,936,000 (October 31, 2020- $4,672,000). 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 +$72,000/-$72,000 (October 31, 2020 gain/loss of approximately +$93,000/-$93,000).

On a consolidated basis, the Company is also exposed to foreign currency fluctuations between the U.S. Dollar and the Canadian Dollar, being the functional currency of its Canadian subsidiary. The Company does not hedge its net investment in its Canadian subsidiary and the related foreign currency translation of its earnings.

Interest Rate Risk

At April 30, 2021, the Company had access to interest bearing financial instruments in cash, short term accounts payable and its line of credit. A significant amount of the Company's cash is held as foreign currency bank notes in tills and vaults. These amounts are not subject to interest rate risk. Cash held in some of the Company’s accounts are interest bearing; however, since prevailing interest rates are low there is minimal interest rate risk. Borrowings bear interest at 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, refer to Note 14 of the consolidated financial statements.

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.

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 April 30, 2021 would have been approximately +$16,000/-$16,000 higher/lower as a result of credit lines held at variable interest rates.

Liquidity Risk

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Chief Financial Officer informs the Chief Executive Officer, 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.

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

Liquidity Risk (continued)

The following are non-derivative contractual financial liabilities:

At April 30, 2021

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	9,289,587	9,289,587	9,289,587	$Nil
Holding Accounts	5,427,016	5,427,016	5,427,016	$Nil
Line of credit	435,764	435,764	435,764	$Nil
Accrued expenses	1,454,756	1,421,983	1,421,983	$Nil
Contingent consideration	762,720	762,720	$Nil	762,720
Contract liability	631,464	631,464	$Nil	631,464

At October 31, 2020

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	13,095,188	13,095,188	13,095,188	$Nil
Holding Accounts	1,595,365	1,595,365	1,595,365	$Nil
Line of credit	3,305,605	3,305,605	3,305,605	$Nil
Accrued expenses	2,519,167	2,467,453	2,467,453	$Nil
Contingent consideration	703,560	703,560	$Nil	703,560
Contract liability	163,901	163,901	$Nil	163,901

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.

	At April 30, 2021	At January 31, 2021	At October 31, 2020
	$	$	$
Current assets	65,834,662	67,683,952	71,219,313
Current liabilities	(19,103,431)	(21,193,415)	(23,463,619)
Working capital	**46,731,231**	**46,490,537**	**47,755,694**

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.