CURRENCY EXCHANGE
INTERNATIONAL

ANNUAL REPORT 2020

Financial Highlights

Exchange Volume: In Billions

2017	2018	2019	2020	
$2.8	$4.2	$4.9	$3.8	22% Year Over Year

Total Revenue: In Millions

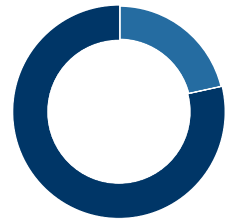
2017	2018	2019	2020	
$32.5	$39.1	$41.7	$25.0	40% Year Over Year

Total Assets: In Millions

2017	2018	2019	2020	
$64.0	$73.3	$82.7	$85.8	4% Year Over Year

All amounts in this report are stated in USD and are based on fiscal year end unless otherwise noted.

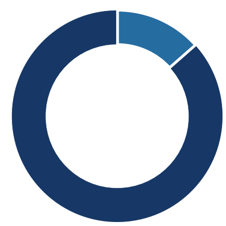
Revenue by Business Segment



86% Banknotes

14% Payments

Revenue by Geography



78% United States

22% Canada

Corporate Customers and Transacting Locations

	2017	2018	2019	2020
Company-Owned Branch Locations	41	43	46	35
Wholesale Company Relationships*	954	1,267	1,878	1,667
Transacting Locations*	14,587	17,017	21,595	14,787

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

Quarterly Stock Price (TSX:CXI)

TSX stock prices are quoted in Cdn$

Q1	Q2	Q3	Q4
Ended 1/31/2020	Ended 4/30/2020	Ended 7/31/2020	Ended 10/31/2020
$18.10	$13.60	$10.50	$9.00

Key Ratios

	2019	2020
Earnings Per Share	$0.46	-$1.33
Return On Assets	3.5%	-9.9%
Return On Equity	4.4%	-14.6%
Operating Margin	14.7%	-15.9%

Key Activities

Response to COVID-19

CXI's Response to Novel Coronavirus (COVID-19)'s Impact on Business and Communities

On March 3, 2020, CXI created a COVID-19 Committee to respond to COVID-19. This committee of senior employees was created to lead our group in traversing these unusual, challenging times. The committee reports directly to CXI's CEO and meets regularly to proactively address the evolving situation.

CXI remains committed to ensuring continuous service to our customers during these most trying times. The company's ability to maintain a high level of service is reflective of its preparation and execution of its planning. The company successfully continued its service in a safe and secure way for its customers and employees. CXI's IT team successfully had 90% of the possible employees working from home within one week and all within two weeks. During this time, CXI's IT security team ramped up its monitoring of company systems and employee security. All security policies are being maintained. Additionally, CXI kept in constant contact with its customers and critical suppliers to keep information flowing.

As we look to the future, CXI revisited the way forward with its 2021-2023 strategic plan. Its focus gave clear direction to scaling the business with attainable and sustainable growth that will return the company to profitability. We are proud of the essential role we provide by supporting the needs of businesses in the global market through our expansion in international payments. We stand ready to assist our commercial customers and international travelers when they decide travel is right for them once again.

CXI Inks Largest Agent Program with Retail Foreign Currency at US Borders

CXI Announces Strategic Relationship with Duty Free Americas, Inc. as Its Exclusive Foreign Currency Provider

In December 2019, CXI announced an exclusive foreign currency provider relationship with Duty Free Americas, Inc (DFA) operating as an agent of CXI. The first phase was successfully launched at the US and Canadian borders by the end of January. The promising start was significantly impacted by the closure of the US and Canadian border by the US and Canadian governments. Expanding to DFA's additional US and Mexican border stores is planned for the 2021 fiscal year.

Acquisition of a Canadian International Payments Business

CXI Announces Exchange Bank of Canada Closes Its Transaction with a Canadian International Payments Business

In July 2020, Exchange Bank of Canada (EBC) closed its acquisition of the assets of a Canadian international payments business that operated 24 years in Québec. The business's assets were successfully integrated into EBC's business and are contributing in line with financial expectations. The retained employees are an experienced group that has helped transition its corporate customers to EBC.

Message from the CEO

Randolph W. Pinna
President and Chief Executive Officer

In the past year, the world has been gripped by unprecedented challenges. First, a global health emergency, followed shortly by an economic crisis. As I write this, these are ongoing events with their final path undefined. The operational and financial impact of this has been substantial. However, it also displayed the resolve and character of CXI and its people and should not overshadow our 2020 achievements. In March 2020, as the severity of the pandemic progressed, CXI took immediate measures to protect the health and safety of our employees while also focusing on the needed changes to keep our business operating as efficiently as possible and to preserve capital.

Our employees' response to the situation has been a reflection of their care, skill, and adaptability. The workplace and how we interact with our customers has certainly changed, but our commitment to support our customers with our customer-first approach continues to be one of our key priorities.

Resiliency in 2020

CXI's 2020 fiscal year began with a strong first quarter and generated nearly US $9.9 million in revenue. Unfortunately, the momentum changed drastically in the second quarter when the economic disruption caused by the pandemic and its repercussions unfolded.

In CXI's second quarter, as the economic impact became evident, the world began to enact measures to contain the spread of the novel coronavirus, including travel bans, quarantines, social distancing, and closures of nonessential services. By mid-March, CXI temporarily closed all its retail branches which were closely followed by the closure of most of its wholesale customer locations.

While CXI is well-capitalized to go through a traumatic economic event, it was determined that permanently closing some retail branches was necessary. CXI has permanently closed the 12 branches since the pandemic was announced. The closed branches were those estimated to have the longest road to recovery accompanied by a limited contribution to revenue. Cost reductions were also secured through rent abatements with a number of landlords. This resulted in a total reduction in staff of more than 100 employees both in retail and at head offices. Though difficult to lose so many employees, this positioned the company to maintain a strong balance sheet and flexibility moving forward.

CXI is very focused on its strategic initiatives, including its international payments business, which diversifies the company from the volatility in the travel and tourism industry. The benefit of this diversification is evident by CXI's payments business revenue increasing to US $3.4 million in 2020 from $2.6 million in 2019, a 29% increase. Overall, CXI's payments business contributed 14% of the company's revenues.

This, in addition to EBC's acquisition, helped CXI transact with more than 600 new financial institutions and businesses and helps to better position CXI's banknote business when international travel returns."

During the 2020 fiscal year, CXI saw an increase in market share propelled by the closure or exiting of competitors in the foreign banknotes industry and winning new accounts in its sales pipeline. This, in addition to EBC's acquisition, helped CXI transact with more than 600 new financial institutions and businesses and helps to better position CXI's banknote business when international travel returns. The result of diminished international travel and demand in foreign currency, reduced CXI's overall revenue to US $25 million, down 40% from the previous fiscal year. Net operating income decreased to a US $4 million loss from a $6.2 million gain in the previous fiscal year. The company reduced its operating expenses by 19%, with the largest reductions attributed to salaries, rent, and shipping costs.

CXI's proactive management and focus on its strategic initiatives helped sustain our vital resilience through the remainder of 2020.

Setting the Stage for 2021

Uncertainty and change have dominated 2020, and there are no quick fixes. Throughout these difficult times, CXI's employees have worked tirelessly to support our customers and overcome business obstacles. CXI's executives and board of directors dedicated the time to revisit the way forward by developing a three-year strategic plan that builds on its strengths while diversifying for the future. The strategic plan's initiatives allow the company to focus on what it does well, building strong personal relationships that put the customer first and deploying technology to simplify business for our customers.

> One way CXI is making foreign exchange simple for its financial institution customers is by integrating into core banking software."

CXI's dedication to diversification was exhibited by EBC's acquisition of a Québec-based international payments business's assets. The acquisition brought in FX traders with more than 20 years of experience and a solid portfolio of long-time customers. To date, the revenues generated from the acquisition have met management's expectations. Additionally, in early fiscal year 2021, EBC expanded its payments sales team with talented new hires proven to build strong personal relationships with customers.

In 2021 and beyond, CXI is focusing on deploying technology to deliver simplification to its customers. One way CXI is making foreign exchange simple for its financial institution customers is by integrating into core banking software. CXI successfully integrated into Fiserv's WireXchange in 2019 and in 2020 began to service numerous banks and credit unions who use this platform. CXI has identified additional core banking software that will assist in expanding the company's payments services to existing banknote customers and new prospects.

Shareholder's Equity
$ Millions

October 31, 2020	$58.2
October 31, 2019	$66.3
October 31, 2018	$62.7
October 31, 2017	$56.5

All amounts in this report are stated in USD unless otherwise noted.

Banks and credit unions' ability to utilize CXI as their one provider for all foreign exchange needs creates a unique value for their institution.

The diversification of these business lines will ensure CXI is creating innovative ways to support its customers and drive business efficiency. Still, core to the company is its foreign banknotes business. CXI continues to be the leader in this category and sees ambitious ways to maximize its market share and expand into new markets. In February 2020, CXI launched OnlineFX Home Delivery, a consumer-facing e-commerce website for buying foreign currency. The website successfully continued servicing customers as the company's retail branches closed and extends CXI's direct-to-consumer offering beyond brick-and-mortar locations. Currently, through OnlineFX, CXI can serve customers in 25 states, covering approximately 212 million people.

CXI is also expanding its bulk wholesale business globally to select countries and financial institutions. The interest in dealing with CXI and EBC around the globe has seen CXI begin relationships with banks in 10 countries. The company's expertise provides banks outside of the US and Canada a secure global logistics partner and access to a spectrum of competitively priced foreign currency.
CXI's three-year running strategy is built on the company's vision to be the preferred financial services provider of foreign exchange solutions tailored to customer needs.

Our Shared Future

CXI's ambitions are grounded in the strength of its people and the company's culture. Our collective customer focus, collaboration, innovation, integrity, and passion is how the company achieves success. We've been agile in how we've responded to COVID-19, moving all available personnel remote within two weeks, while still providing a high level of personalized service.

I personally want to take the time to applaud and thank our employees and customers for embracing the moment with care for each other and working together through this crisis. Our board of directors and executive team are confident in our ability to execute our plan. Thank you to our loyal customers, employees, shareholders, and friends for their continued support of Currency Exchange International. As always, I remain available for feedback and to discuss our company and its business with you personally.

Randolph W. Pinna
President and Chief Executive Officer

Mission and Purpose

For more than 10 years, CXI has been driven by our commitment to be Customer-First. We are a diverse community of experts who channel a shared passion and collaborative approach into the excellence of Customer-First service. Inclusion is what we celebrate, integrity is our source of pride, and innovation is how we transform the future.

Strategic Priorities

Expand FX with US Banks and Credit Unions

Be the best solution for all the foreign exchange needs of banks and credit unions. One Provider. One Platform.

Global Expansion of Wholesale Banknotes

Be the foreign banknote provider of choice for leading banks around the world.

Our Mission

Make foreign exchange simple and secure by combining technology, industry expertise, and highly personal service.

Build Scale in Corporate International Payments

Make foreign exchange easy for businesses with personalized service backed by the expertise and security of Exchange Bank of Canada. Canada's Foreign Exchange Bank™.

Our Vision

Be the preferred financial services provider of foreign exchange solutions tailored to client needs.

Maximize Direct-to-Consumer Offering

Deliver convenient, cost-effective ways to exchange foreign currency for US residents and international travelers visiting the US.

Strengthen and Optimize Corporate Infrastructure

Enable the business to scale to support growth and manage risk.

Our values are our commitments

Customer First

Earn the right to be our customer's first choice.

Collaborative

Win as a team.

Innovative

Find new methods to deliver change and advance technology to the industry.

Integrity

Hold ourselves to the highest standard to build trust.

Passionate

Driven to be the best in class.

Strategic Priorities

Expand FX Services with US Banks and Credit Unions

Many US banks, banker's banks, and credit unions are outsourcing foreign exchange services and consolidating their foreign exchange providers. They want providers with technology that integrates with their core banking system, is easy for staff to use, and has strong Anti-Money Laundering (AML) safeguards to reduce risk.

Despite increased demand for outsourcing foreign exchange transaction processing, some traditional providers have exited the business and the US market. Unlike many large bank providers, CXI is exclusively focused on foreign exchange. Our proprietary CEIFX technology platform enables clients to process international payments, foreign banknotes, and foreign checks on the same platform. This "One Provider. One Platform." proposition, combined with a reputation for great customer service, resonates well with the increasing number of banks looking to outsource and consolidate foreign exchange providers.

While CXI has doubled the number of banks it serves over the past two years, its share of US banks and credit unions with multiple foreign exchange services remains small. There is significant growth potential as is evident by the company's strong sales pipeline. CXI will capitalize on this growth potential by investing in core banking system integrations and sales resources. CXI's success in expanding FX services with US banks and credit unions will be a key driver of growing its international payments business and achieving its goal of diversifying the business.

Build Scale in Corporate International Payments

Corporate international payments are a large, growing segment of the foreign exchange industry driven by international trade and e-commerce. Unlike banknotes, corporate international payments are not impacted by international travel, making it an important market segment for CXI to grow to diversify its business.

Most Canadian companies use their bank for foreign exchange and international transactions because they are safe and secure. While Canada's big banks may serve large companies well, many small and medium enterprises (SMEs) are left to use self-serve platforms with little personal service. Many SMEs are not aware there are alternatives. Exchange Bank of Canada (EBC), a wholly-owned subsidiary of CXI, is a federally regulated Schedule 1 Canadian bank focused exclusively on foreign exchange. EBC provides small and mid-size companies the safety and security of a bank, with competitive pricing and personal service that is tailored to their business needs.

CXI is investing to scale up EBC's corporate payment business quickly by building a strong team of experienced FX traders to deliver highly personal service, as well as investing in technology and exploring acquisitions to make foreign exchange and payments easy for SMEs.

Global Expansion of Wholesale Banknotes

Despite the shift toward electronic payment options, there is a large global wholesale banknote market. Many traditional wholesale banknote providers either are not investing in, or are exiting, the business at a time when banks around the world are outsourcing the management of foreign banknotes. Furthermore, banks in certain regions such as the Caribbean, Mexico, and South America have excess USD and want to deal with a provider that has strong Anti-Money Laundering (AML) practices.

CXI and EBC can provide banks in select countries its customizable CEIFX platform that is easy to use, embedded with strong AML compliance practices, supported by global logistics experience, relationships with currency suppliers around the world, and exceptional service. To expand its business beyond the US and Canada, EBC is pursuing a USD distribution agreement with the New York Federal Reserve Bank and focusing sales resources on growing business in key regions globally.

Maximize Direct-to-Consumer Offering

CXI is well-positioned to grow its direct-to-consumer currency exchange business as international travel returns to pre-pandemic levels. CXI has a strong presence in the top US tourism markets serving US residents and international travelers through its company-owned retail branch locations, and agent locations owned and operated by CXI's wholesale customers. Given the company's strong financial position, it has not only been able to retain prime locations, but has opportunities to acquire prime locations of competitors who've exited the market.

As retail shifts online and mall traffic declines, CXI is expanding its consumer business by serving US consumers online, avoiding the costs of operating a physical branch. CXI's OnlineFX Home Delivery website provides US residents the ability to purchase foreign currency and have it delivered to their homes. This service is currently available for consumers in 25 states and we are actively working to expand to more states. Additionally, CXI's agent relationships supplement the company's direct-to-consumer network without adding labor costs and rent. Utilizing CXI's license, compliance regime, and technology, these customers can be found in airports, shopping centers, and tourist attractions across the US.

Strengthen and Optimize Corporate Infrastructure

CXI's strategic priorities have a multi-pronged approach to grow the business, diversify its revenue, and become more efficient. To support the planned growth, CXI will invest in initiatives that create significant operational efficiencies that will enable the company to effectively scale its business. These efficiencies will come from automating processes and workflows in its finance, risk, operations, compliance, and IT teams. Enhancing the company's processes will also improve service levels for CXI's customers by enabling better access to business data, generating advanced insights, and delivering a differentiated customer experience.

CURRENCY EXCHANGE INTERNATIONAL, CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTHS AND YEAR-ENDED ENDED OCTOBER 31, 2020 AND 2019

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-months and year ended October 31, 2020, 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 January 27, 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 audited consolidated financial statements of the Company for year ended October 31, 2020 and 2019 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 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. Including 7 on furlough, CXI had 268 employees at October 31, 2020, of which 77 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 October 31, 2020, the Company had inventory on consignment in 823 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. On or around March 24, 2020 all of the retail branches were closed due to government-imposed shutdowns as a result of COVID-19 pandemic. The majority of the retail employees were furloughed as a result. Beginning in May 2020, some of the branches have reopened as restrictions have been relaxed in some regions. As of January 27, 2021, 35 retail branch locations were open and 11 have been permanently closed (see page 12).

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

Overview (continued)

Prior to the COVID-19 pandemic, the Company had steadily grown its branch network to 46 locations, as well as the number of wholesale relationships over the years. Below is a summary of the Company's wholesale company relationships and transacting locations as well as a listing of its 35 remaining branch locations following the permanent closure or pending closure of 11 locations at October 31, 2020.

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	The Galleria at Fort Lauderdale	Ft. Lauderdale	FL	2013
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 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Company owned branch locations	36	38	41	43	46	35
Wholesale company relationships*	556	927	954	1,267	1,878	1,667
Number of transacting locations*	9,494	11,975	14,587	17,017	21,595	14,787

*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)

The Company has also reduced its settlement exposure for all clients given the current economic environment.

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.

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) $
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	(2,316,356)	(2,942,948)	99,263,039	62,965,874	(0.43)
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
4/30/2019	9,460,809	1,081,292	507,370	82,267,884	63,022,825	0.08
1/31/2019	8,451,671	271,410	(172,811)	82,045,951	62,678,990	(0.03)

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 closed all of its retail locations on or around March 24, 2020, re-opening a number of them over the course of the third quarter. At October 31, 2020 11 locations were permanently closed, or in the process of being closed. In addition, many of the Company’s commercial customers have been impacted by the pandemic, resulting in reduced demand for banknotes. The Company has also closed one vault temporarily due to the low volume of activity. 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.

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

Selected Financial Results for the three-months and year ended October 31, 2020 and 2019

The Company successfully completed its acquisition of a payments business called Denarius Financial Group ("DFG") based in Montreal, Canada on July 29, 2020. The Company acquired approximately 450 new corporate customer relationships in the acquisition, significantly increasing the Company's payments segment in Canada. Despite a strong start to its fiscal year, the government-imposed shutdowns beginning in March related to COVID-19 have had a material negative impact. Consolidated revenue was 40% lower in the year ended October 31, 2020 than in the same period in the previous year. The growth experienced in the first quarter of 2020 was not enough to offset the extreme reduction in demand for foreign currency as a result of the restrictions on mobility that have affected travel and tourism during the pandemic. The decline in the Canadian region is lower than that of the United States (19% as compared to 44%), which is reflective of the impact of the retail locations, all of which were closed for various periods during the year ended October 31, 2020. The acquisition of DFG contributed $286,631 in revenue from July 29, 2020 through October 31, 2020. Since October 31, 2019, the Company has added 759 new customer relationships comprising 1,281 locations, of which 537 relationships representing 1,036 locations were added in the United States and 222 relationships representing 245 locations were added in Canada. 82% of the new customer relationships in Canada were attributable to the DFG acquisition.

During the year ended October 31, 2020, the number of transactions between the Company and its customers decreased 61% to 475,000 transactions from 1,210,000 for the same period in the previous year. During the three-month period ended October 31, 2020, the number of transactions between the Company and its customers decreased 86% to 49,000 transactions from 351,000 for the same period in the previous year. By line of business, Payments increased 29% or $777,991 over the prior year, and banknotes decreased by 45% or $17,548,611. In response to the significant decline in revenue, the Company has enacted a number of cost-saving initiatives that included expense reductions, the closure of 11 branch locations, and the elimination of 106 employment positions since March 15, 2020. As a result of the actions taken, the Company has recognized restructuring expenses, including impairment charges of $1,072,471 in the year ending October 31, 2020. In addition, the Company has reduced credit limits to limit its settlement exposure since and has implemented daily credit monitoring of its customer base. CXI has a strong capital base and liquidity position to continue to meet its financial obligations. Management completed a three-year strategic plan in October 2020, in which it developed 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.

	Year ended October 31, 2020	**Year ended October 31, 2019**	**Three-months ended October 31, 2020**	**Three-months ended October 31, 2019**
	$	**$**	**$**	**$**
Revenue	25,013,423	41,784,043	4,935,917	11,469,079
Operating expenses	28,999,214	35,632,001	6,778,116	9,605,638
Net Operating income	**(3,985,791)**	**6,152,042**	**(1,842,199)**	**1,863,442**
Other (loss) income	(3,265)	29,339	(12,648)	13,884
Government grants	761,533	-	343,818	-
Provision for loss	(1,693,207)	-	-	-
EBITDA*	(4,920,730)	6,181,381	(1,511,029)	1,877,326
Net (loss) income	**(8,524,029)**	**2,924,720**	**(3,296,835)**	**769,393**
Basic (loss) earnings per share	(1.33)	0.46	(0.51)	0.12
Diluted (loss)earnings per share	(1.33)	0.46	(0.51)	0.12

* Earnings before interest, taxes, depreciation and amortization

	October 31, 2020	**October 31, 2019**
Total assets	85,758,518	82,729,714
Total long-term financial liabilities	266,163	-
Total equity	58,229,735	66,329,035

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

Results of operations – year ended October 31, 2020 and 2019

A breakdown of revenue by geographic location is presented below:

	Year ended October 31, 2020	Year ended October 31, 2019	Change	Change
	$	$	$	%
	Revenues by Geography			
United States	19,601,984	35,137,626	(15,535,642)	-44%
Canada	5,411,439	6,646,417	(1,234,978)	-19%
Total	**25,013,423**	**41,784,043**	**(16,770,620)**	**-40%**
	Revenues by Product Line			
Banknotes	21,595,790	39,144,401	(17,548,611)	-45%
Payments	3,417,633	2,639,642	777,991	29%
Total	**25,013,423**	**41,784,043**	**(16,770,620)**	**-40%**

During the year ended October 31, 2020, operating expenses decreased 19% to $28,999,214 compared to $35,632,001 for the year ended October 31, 2019. Normalizing for the impact of IFRS 16, which was implemented on November 1, 2019 using the modified retrospective approach, operating expenses would have decreased by 12% to $31,263,987. The major components of operating expenses are presented in the table below, with commentary for significant variances:

	Year ended October 31, 2020	Year ended October 31, 2019	Change	Change
	$	$	$	%
Salaries and benefits	16,866,772	18,298,892	(1,432,120)	-8%
Rent	1,152,141	3,780,465	(2,628,324)	-70%
Legal and professional	2,824,561	2,930,426	(105,865)	-4%
Postage and shipping	2,373,942	5,094,817	(2,720,874)	-53%
Stock based compensation	1,005,903	743,391	262,512	35%
Travel and entertainment	386,739	702,207	(315,468)	-45%
Bank service charges	1,234,725	856,589	378,136	44%
Information technology	1,330,994	1,119,280	211,713	19%
Losses and shortages	276,556	426,385	(149,828)	-35%
Insurance	497,701	440,493	57,208	13%
Other general and administrative	1,049,180	1,239,058	(189,877)	-15%
Operating expenses	**28,999,214**	**35,632,001**	**(6,632,787)**	**-19%**

Salaries and benefits decreased 8% to $16,866,772 from $18,298,892 which reflects the impact of a year-over-year reduction in headcount by 66 as the employment base fell from 334 at October 31, 2019 to 272 at October 31, 2020, though there had been an increase in the employment base by 40 positions up to March 15, 2020. In addition, there was a reduction in salaries compensation by $426,041 in the year ended October 31, 2020 as bonuses were significantly reduced due to the Company's financial performance. Partially offsetting these savings was $100,164 in incremental accrued vacation expense as the pandemic affected the ability for employees to use their vacation entitlement.

Rent expense decreased 70% to $1,152,141 from $3,780,465 This decrease is primarily attributable to the adoption of IFRS 16 on November 1, 2019. Had the new accounting standard not been implemented, rent expense would have decreased only 10% to $3,398,171 from $3,780,465, which is reflective of $281,334 in rent abatements received from landlords related to certain retail locations that were required to close in response to state or local orders during the COVID-19 pandemic.

Results of operations – year ended October 31, 2020 and 2019 (continued)

Legal and professional fees decreased 4% to $2,824,561 from $2,930,426. This includes $196,873 in non-recurring fees incurred relative to a key strategic initiative for EBC, being an application for a direct relationship with the Federal Reserve. The expenses also include $171,692 in costs incurred related to the acquisition of DFG on July 29, 2020. Excluding these non-recurring costs, the legal and professional fees on a comparable basis were $2,445,996, representing a decrease of approximately 17%. This reflects a conscious effort to reduce spending on advisors;

Postage and shipping decreased 53% to $2,373,942 from $5,094,817 and is primarily a result of decreased revenue associated with the banknotes segment since the beginning of the pandemic;

Stock-based compensation increased 35% to $1,005,903 from $743,391. While there were a slightly higher number of stock options outstanding compared to the prior year (732803 at October 31, 2020 versus 708,366 at October 31, 2019), the increase was also impacted by the following atypical factors:

(i) the Company recorded expenses of $113,740 related to an option exchange program in which 241,463 options were cancelled on July 31, 2020 and replaced by a grant of 30,182 options on October 29, 2020 (see note 18 to the consolidated financial statements).
(ii) the Company recorded an expense of $41,872 for 22,369 options granted on June 24, 2020 to certain officers that voluntarily agreed to a temporary salary reduction.

Bank service charges increased 44% to $1,234,725 from $856,589. The increase is related primarily to increased volumes for payments related activity. These charges are offset partially by fees collected on wire payments, which are captured in revenues;

Information technology expenses increased 19% to $1,330,994 from $1,119,280, reflecting the adoption of additional technology platforms over the past year to support various functions, including treasury, compliance, finance, and payments, as well as the eZforex platform that was acquired on September 6, 2019. The Company has increased its investment in cyber security technology in addition to collaboration and communication tools, such as Zoom, to facilitate remote work during the pandemic.

Losses and shortages decreased 35% to $276,556 from $426,385. This represents amounts that are lost in transit, theft or errors in processing by the vaults. When normalized for one unusual loss related to an employee theft in the amount of $67,017, the losses have declined 51%, consistent with the reduced sales volume, and within acceptable tolerances.

Other general and administrative expenses decreased 15% to $1,049,180 from $1,239,056. 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 decrease of $201,285 was a $221,533 increase in foreign exchange gains on the translation of foreign denominated balances.

The ratio of operating expenses to total revenue for the year ended October 31, 2020 was 116% compared to 85% for the year ended October 31, 2019, reflecting the significant reduction in revenue due to the COVID-19 pandemic. Excluding the reduction in operating expenses related to the adoption of IFRS 16, this ratio would have been 125% in the year ended October 31, 2020. As a result of cost reduction actions taken in FY2020, the operating leverage should improve as banknote revenue is expected to increase when the ongoing risk of virus transmission is significantly reduced to enable the removal of international travel restrictions.

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

Results of operations – year ended October 31, 2020 and 2019 (continued)

	Year ended October 31, 2020	**Year ended October 31, 2019**
	$	**$**
Other income	10,773	23,564
Government grants	761,533	-
Provision for loss	(1,693,207)	-
Gain on sale of assets	390	5,775
Other expenses	(14,428)	-
Interest expense	(473,242)	(303,218)
Interest on lease liabilities	(272,687)	-
Depreciation and amortization	(1,621,121)	(1,330,258)
Depreciation of right-of-use-assets	(1,982,474)	-
Restructuring and Impairment charges	(1,072,472)	-
Income tax benefit (expense)	1,818,697	(1,623,186)
Total other expense	**(4,538,239)**	**(3,227,322)**

The government grant income relates to the Company's subsidiary, Exchange Bank of Canada that received support from two federal programs during the year ended October 31, 2020. 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 October 31, 2020 EBC qualified for $745,190 in grants under the program, of which $198,990 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 October 31, 2020 EBC qualified for $16,343, 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;

A wholesale customer of the Company that owed money filed a Notice of Intention to Make a Proposal to its creditors under the *Bankruptcy and Insolvency Act* (Canada) ("BIA") on April 30, 2020. At April 30, 2020 the Company recorded a loss provision of $1,012,946 for amounts owed to it by the customer. Such customer subsequently failed to make a proposal to its creditors and was automatically placed into Bankruptcy on June 30, 2020, resulting in the Company becoming an unsecured creditor of the bankrupt customer's estate. Subsequent to September 9, 2020 the Trustee in Bankruptcy has claimed that three payments that the customer made to the Company in April 2020 that total $1,000,000 were made within 90 days of the date of bankruptcy, and therefore were preferential, in contravention of the BIA. At October 31, 2020 CXI has recorded an additional provision of $675,000 as a reasonable estimate of the expected future cash outflows with respect to this customer's bankruptcy. As of January 27, 2020, no legal action has been commenced by the Trustee;

Interest expense increased to $473,242 from $303,218, primarily as a result of a higher borrowing base over the prior year. The Company significantly increased its borrowing on credit facilities in March 2020 to ensure a high amount of liquidity in the event that the pandemic led to a credit crisis similar to the one that followed the financial crisis in 2008. In Q4 2020, when management was confident that the probability of such an outcome was unlikely given the monetary stimulus provided by central governments, the Company applied excess funds against its credit facilities to return its borrowing base to levels consistent with the needs required by its business activity;

Interest on lease liabilities reflects the notional interest expense associated with real estate lease payments made during the period. There was no amount for the comparative period as the adoption of IFRS 16 was made on a modified retrospective basis as of November 1, 2019;

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

Results of operations – year ended October 31, 2020 and 2019 (continued)

Depreciation and amortization increased to $1,621,121 from $1,330,258 primarily driven by the addition of $2,670,000 in identifiable intangible assets related to the acquisition of eZForex.com on September 6, 2019 (see note 5b to the consolidated financial statements), and $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). 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 reflects the amortization of amounts related to the real estate assets used during the period in accordance with IFRS 16. There is no amount for the comparative period as the standard was adopted on November 1, 2019 using a modified retrospective approach;

The COVID-19 pandemic crisis and measures enacted to curtail the effects of COVID-19 have posed significant challenges to the Company and has brought uncertainties for the business. The Company has enacted several measures in response to the pandemic to reduce costs and maintain liquidity. These measures have comprised a number of restructuring actions, including the permanent closure of 11 of its retail branch locations, reduced operating hours at its remaining branches, elimination of 112 employment positions since the beginning of the crisis, including the consolidation of certain management positions. As a result, the Company has recognized restructuring expenses of $1,072,472 in the year-ended October 31, 2020, (2019 - $Nil). These expenses represent both obligations incurred as a result of the actions taken in addition to impairment charges on tangible, intangible and right-of-use assets that have been impaired as a result of the actions taken and the impact of the pandemic (see note 21 to the consolidated financial statements);

Income tax benefit of $1,818,697 in the year ended October 31, 2020 compares to an expense of $1,623,186 for the prior year and is reflective of the change from a profit to a loss position. The income tax benefit includes the initial recognition of a deferred tax asset of $110,207 arising from the adoption of IFRS 16. The income tax benefit represents an effective tax rate of 17.6% compared to the statutory tax rate of 26.5%. The primary reason for the variance relates to $993,662 in future benefits that relate to net operating losses of EBC that were not recognized, in accordance with IAS 12. This is due to the fact that the pandemic has created uncertainty around the ability to generate future taxable income against which the losses would need to be applied in order to realize a benefit;

To assist in understanding the impact of IFRS 16 on the consolidated financial statements, and for comparability purposes, the following table depicts the adjustments necessary to present select financial information for the year ended October 31, 2020 on a proforma basis as if the Company had accounted for its leases in all material respects under the previous accounting standard, IAS 17, as follows:

	As Reported (IFRS 16)	IFRS 16 Adjustments	Proforma (IAS 17)
Select data from the Statement of Financial Position:			
Right-of-use assets, net	4,389,091	(4,389,091)	-
Deferred Tax Asset	1,026,651	(158,598)	868,052
Total Assets	**85,758,517**	**(4,547,689)**	**81,210,828**
Accrued Expenses *(relates to deferred rent)*	2,519,167	181,867	2,701,033
Current Lease Liabilities	1,749,727	(1,749,727)	-
Long-Term Lease Liabilities	3,455,107	(3,455,107)	-
Total Lease Liabilities	5,204,834	(5,204,834)	-
Total Liabilities	27,528,782	(5,022,967)	22,505,815
Retained Earnings	21,847,117	188,904	22,036,021
Total Equity	58,229,735	188,904	58,418,639
Total Liabilities and Equity	**85,758,517**	**(4,834,064)**	**80,924,454**

	As Reported (IFRS 16)	IFRS 16 Adjustments	Proforma (IAS 17)
Select data from the Statement of Operations:			
Total Revenue	**25,013,423**	-	**25,013,423**
Rent Expense	1,152,141	2,246,030	3,398,171
Total Operating Expenses	28,999,214	2,246,030	31,245,244
EBITDA	**(4,920,730)**	**(2,246,030)**	**(7,166,761)**
Interest on lease liabilities	272,687	(272,687)	-
Depreciation on right-of-use assets	1,982,474	(1,982,474)	-
Income (loss) before tax	**(10,342,726)**	**9,131**	**(10,333,595)**
Income (loss) Tax Expense (Benefit)	(1,818,697)	158,598	(1,660,098)
Net Loss	**(8,524,030)**	**(149,467)**	**(8,673,497)**

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

Results of operations – three-month periods ended October 31, 2020 and 2019

Revenue for the three-month period ended October 31, 2020 declined by 57% over the same period in the prior year. The declines were similar in both Canada and the U.S., reflecting the significant impact that pandemic-related travel restrictions have had on consumer demand for banknotes. By October 31, 2020, the Company had permanently closed or was in the process of closing 11 branch locations. In addition, many of the Company's financial institution clients were operating at reduced capacity during the quarter. While the number of banknote transactions has declined by approximately 86% over the same quarter in 2019, the Company managed to partially offset this from growth in its customer base and increasing margins, such that overall revenue declined by 57% over the prior year. The Company expects consumer demand for foreign banknotes to be weak until such time as the risk of transmission from the coronavirus is reduced to an acceptable level that stimulates international travel and tourism. However, the Company continues to grow the payment business, which increased by 52% in Q4 2020 as compared to Q4 2019, as the increase in the customer base, in part due to the acquisition of DFG, more than offset weakness from the economic contraction as a result of pandemic related actions.

A breakdown of revenues by geographic location is presented below:

	Three-months ended October 31, 2020	Three-months ended October 31, 2019	Change	Change
	$	$	$	%
	Revenues by Geography			
United States	4,034,114	9,564,465	(5,530,351)	-58%
Canada	901,803	1,904,615	(1,002,812)	-53%
Total	**4,935,917**	**11,469,079**	**(6,533,163)**	**-57%**
	Revenues by Product Line			
Banknotes	3,861,151	10,763,817	(6,902,666)	-64%
Payments	1,074,766	705,262	369,504	52%
Total	**4,935,917**	**11,469,079**	**(6,533,163)**	**-57%**

During the three-month period ended October 31, 2020, operating expenses decreased 29% to $6,778,117 compared to $9,605,638 for the three-month period ended October 31, 2019. Normalizing for the impact of IFRS 16, which was implemented on November 1, 2019 using the modified retrospective approach, operating expenses would have decreased by 24% to $7,312,976.

The major components of operating expenses are presented in the table below, with commentary for significant variances:

	Three months ended October 31, 2020	Three months ended October 31, 2019	Change	Change
	$	$	$	%
Salaries and benefits	3,776,658	4,827,339	(1,050,682)	-22%
Rent	305,229	991,167	(685,938)	-69%
Legal and professional	913,018	837,186	75,833	9%
Postage and shipping	348,745	1,456,884	(1,108,139)	-76%
Stock based compensation	175,339	195,317	(19,977)	-10%
Travel and entertainment	48,855	204,892	(156,037)	-76%
Bank service charges	325,410	247,835	77,575	31%
Information technology	368,317	307,080	61,237	20%
Losses and shortages	(6,617)	82,283	(88,900)	100%
Insurance	145,256	103,417	41,839	40%
Other general and administrative	387,903	352,239	35,664	10%
Operating expenses	**6,788,112**	**9,605,638**	**(2,817,525)**	**-29%**

Results of operations – three-month periods ended October 31, 2020 and 2019 (continued)

Salaries and benefits decreased 22% to $3,776,658 from $4,827,339 which is attributed to a net reduction in year-over-year employment by 19% or 66 positions;

Rent expense decreased 69% to $305,229 from $991,167. This decrease is primarily attributable to the adoption of IFRS 16 on November 1, 2019 using the modified retrospective approach. On a comparable basis under the previous standard, IAS 17, rent expense would have decreased 16% to $831,591 in the three-months ending October 31, 2020 from $991,167 in the prior period, which includes $10,593 in abatements received from landlords for retail locations that were closed for certain periods during the year;

Legal and professional fees increased 9% to $913,018 from $837,186. This includes $196,873 in non-recurring fees incurred relative to a key strategic initiative for EBC, an application for a direct relationship with the Federal Reserve. When normalized for these costs, professional fees on a comparable basis decreased by 14%, reflective of a conscious effort to reduce the use of external advisors;

Postage and shipping decreased 76% to $348,745 from $1,456,884 primarily driven by the decrease in banknote activity associated with the impact of COVID-19 discussed above. Shipping fees recovered from customers are netted against shipping charges charged to the Company;

Stock based compensation decreased 10% to $175,339 from $195,317, which is primarily a result of the option exchange program in which 241,463 options granted in prior years were cancelled, accelerating the expense associated with those options into the period ended July 31, 2020. The Company recorded $2,509 in expense related to the replacement grants in the three-month period ended October 31, 2020 (see note 18 to the consolidated financial statements);

Travel and entertainment decreased 76% to $48,855 from $204,892 as business travel virtually ceased due to the pandemic;

Bank service charges increased 31% to $325,410 from $247,835. The increase is related primarily to increased volumes for payments related activity. These charges are offset partially by fees collected on wire payments, which are captured in revenues;

Other general and administrative expenses increased 10% to $387,903 from $352,238. These expenses comprise licenses and fees, utilities, office supplies, foreign exchange gain and losses, and other general and administrative expenses. There were declines in all categories, but the larger variances included an increase of $83,861 in foreign exchange losses on the translation of foreign denominated balances during the quarter, and an increase of $44,459 in miscellaneous taxes and penalties. These increases were partially offset by a $59,745 decrease in office supplies due to a lower utilization of the office space during the pandemic, and a $24,512 decrease in license and fees as the Company changed its capitalization policy to expense all items below $3,000 effective November 1, 2019. As most license renewals occur early in the fiscal year, the majority of the fees related to FY2020 have been expensed in previous periods. There was no significant change in licenses and fees on a full-year basis.

The ratio of operating expenses to total revenue for three-month period ended October 31, 2020 was 138% compared to 84% for the three-month period ended October 31, 2019, reflecting the significant reduction in revenue as a result of COVID-19. Excluding the reduction in operating expenses related to the adoption of IFRS 16, this ratio would have been 148% in the three-month period ended October 31, 2020. The Company expects this ratio to improve as a result of the cost reduction actions implemented coupled with anticipated growth in revenue. It is expected that wholesale banknote revenue will recover slowly until the risk of transmission from the coronavirus is reduced to an acceptably low level to enable the resumption of international travel.

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

Results of operations – three-month periods ended October 31, 2020 and 2019 (continued)

Other income and expenses comprise the following:

	Three months ended October 31, 2020 $	**Three months ended October 31, 2019 $**
Other income	1,390	10,084
Government grants	343,818	-
Provision for loss	(680,261)	-
Gain on sale of assets	390	3,800
Other expenses	(14,428)	-
Interest expense	(45,508)	(46,006)
Interest on lease liabilities	(62,147)	-
Depreciation and amortization	(479,780)	(334,841)
Depreciation of right-of-use-assets	(475,495)	-
Restructuring and Impairment charges	(1,072,472)	-
Income tax benefit (expense)	871,055	(727,085)
Total other expense	**(1,613,437)**	**(1,094,048)**

The government grant income relates to the previously discussed support programs that the Company's subsidiary, Exchange Bank of Canada received support (see page 11). In the three-month period ended, October 31, 2020 EBC qualified for $327,475 in grants under the Canada Emergency Wage Subsidy program, of which $86,447 was a receivable as of the reporting date, and $16,343 under the Canada Emergency Rent Subsidy, which was a receivable as of the reporting date;

The provision for loss relates to the additional provision taken in the three-month period ended October 31, 2020 related to the bankruptcy of one of the Company's wholesale customers (see page 11);

Other expenses are related to financing fees incurred for the new credit facility with Desjardins Group (see Note 14 to the consolidated financial statements);

Interest expense was essentially flat at $45,508 versus $46,006, as a higher borrowing base for part of the quarter was offset by lower interest rates;

Interest on lease liabilities reflects the notional interest expense associated with real estate lease payments made during the period. There was no amount for the comparative period as the adoption of IFRS 16 was made on a modified retrospective basis as of November 1, 2019;

Depreciation and amortization increased to $479,780 from $334,841 primarily driven by the addition of $2,670,000 in identifiable intangible assets related to the acquisition of eZForex.com on September 6, 2019 (see note 5 to the consolidated financial statements), and $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).* 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 reflects the amortization of amounts related to the real estate assets used during the period in accordance with IFRS 16. There is no amount for the comparative period as the standard was adopted on November 1, 2019 using a modified retrospective approach;

The restructuring and impairment charges are identical to those in the full-year commentary (see page 12);

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

Results of operations – three-month periods ended October 31, 2020 and 2019 (continued)

Income tax benefit for the three-month period ended October 31, 2020 of $871,055 changed from an expense of $727,085 in the three-month period ended October 31, 2019 and is reflective of the change from a profit to a loss position. The income tax benefit represents an effective tax rate of 33.6% compared to the statutory tax rate of 26.5%. The primary reason for the variance relates to the expected recovery on filing for a research and development tax credit related to previous years in the amount of $121,883. In addition, there was an adjustment in Q4 2020 related to the implementation of a new transfer pricing methodology between CXI and its subsidiary, Exchange Bank of Canada, that was retroactive to November 1, 2020. These increases were partially offset by the income tax benefit associated with net operating losses in EBC that were not recognized, in accordance with IAS 12, as discussed in the full-year commentary (see page 12).

To assist in understanding the impact of IFRS 16 on the consolidated financial statements, and for comparability purposes, the following table depicts the adjustments necessary to present select financial information for the three-month period ended October 31, 2020 on a proforma basis as if the Company had accounted for its leases in all material respects under the previous accounting standard, IAS 17, as follows:

Select data from the Statement of Financial Position:	As Reported (IFRS 16)	IFRS 16 Adjustments	Proforma (IAS 17)
Right-of-use assets, net	4,389,091	(4,389,091)	-
Deferred Tax Asset	1,026,651	(158,356)	868,295
Total Assets	**85,758,517**	**(4,547,447)**	**81,211,071**
Accrued Expenses *(relates to deferred rent)*	2,519,167	8,786	2,527,953
Current Lease Liabilities	1,749,727	(1,749,727)	-
Long-Term Lease Liabilities	3,455,107	(3,455,107)	-
Total Lease Liabilities	5,204,834	(5,204,834)	-
Total Liabilities	27,528,782	(5,196,048)	22,332,734
Retained Earnings	21,847,117	191,295	22,038,413
Total Equity	58,229,735	191,295	58,421,030
Total Liabilities and Equity	**85,758,517**	**(5,004,753)**	**80,753,764**

Select data from the Statement of Operations:	As Reported (IFRS 16)	IFRS 16 Adjustments	Proforma (IAS 17)
Total Revenue	**4,935,917**	**-**	**4,935,917**
Rent Expense	305,229	526,362	831,591
Total Operating Expenses	6,788,111	526,362	7,314,473
EBITDA	**(2,201,285)**	**(526,362)**	**(2,727,647)**
Interest on lease liabilities	62,147	(62,147)	-
Depreciation on right-of-use assets	475,495	(475,495)	-
Income (loss) before tax	**(4,336,687)**	**11,280**	**(4,325,407)**
Income Tax Expense (Benefit)	(871,055)	158,356	(712,699)
Net Loss	**(3,465,632)**	**(147,076)**	**(3,612,708)**

Cash flows

Cash flows from operating activities during the year ended October 31, 2020 resulted in an outflow of $1,183,000, compared to an inflow of $10,952,224 during the year ended October 31, 2019. Approximately one-quarter 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, as sales volume declined significantly.

The actual amount of accounts receivable and accounts payable fluctuate 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 used in investing activities during the year ended October 31, 2020 resulted in an outflow of $3,110,196 compared to an outflow of $4,942,662 during the year ended October 31, 2019. The primary reason for the outflow was the $3,461,265 in cash consideration paid to acquire the assets of DFG. In 2019, the outflows represented additions to property and equipment, largely related to the opening of the Montreal vault location and internally developed software as well as proceeds.

Cash provided by financing activities during the year ended October 31, 2020 was $795,043 compared to $508,955 during the year ended October 31, 2019. The Company increased usage of its line of credit to $3,305,605 on October 31, 2020 to ensure a high amount of liquidity, compared to a balance of $472,736 on October 31, 2019.

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

Liquidity and capital resources

At October 31, 2020, the Company had working capital of $47,755,695 (October 31, 2019 - $58,932,941).

The Company maintains a line of credit to meet borrowing needs during peak business periods. The Company has a revolving line of credit with BMO Harris Bank, N.A. which was increased in July of 2018 to $20,000,000. The credit line is secured against the Company's cash and other non-cash assets. The line of credit bears interest at Libor plus 2.0% [at October 31, 2020 – 2.15% (2019 – 2.1%)]. At October 31, 2020, the balance outstanding was $Nil (October 31, 2019 - $Nil).

In April of 2017, the Company's wholly owned Canadian subsidiary, EBC, established a CDN$3,000,000 revolving line of credit with Bank of Montreal which was increased in June of 2018 to CDN$6,000,000 ($4,505,181) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus 0.5% [at October 31, 2020 – 2.95% (2019 – 4.45%)]. At October 31, 2020, the balance outstanding was $3,305,605 (October 31, 2019 - $472,736).

In October of 2020, the Company's wholly-owned Canadian subsidiary, EBC, established a CDN$2,000,000 revolving line of credit with Desjardins Group ("Desjardins"), being secured against collateral of CDN$2,000,000 posted at October 31, 2020.The line of credit bears interest at CDN prime rate plus 0.25% (at October 31, 2020 - 2.70%). At October 31, 2020, the balance outstanding was $Nil

The Company had a total available balance of unused lines of credit of $22,701,303 at October 31, 2020 (October 31, 2019 - $24,086,534).

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.

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

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.

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 October 31, 2020 was $92,447 (October 31, 2019 - $1,735).

At October 31, 2020 and October 31, 2019 approximately $2,963,474 and $644,657, respectively, were being held as collateral on these contracts and 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 years ended October 31, 2020 and 2019 were as follows:

	October 31, 2020	October 31, 2019
	$	$
Short-term benefits	2,824,853	2,535,331
Post-employment benefits	72,710	99,795
Stock based compensation	1,005,912	706,831
	3,903,475	**3,341,957**

The Company incurred legal and professional fees in the aggregate of $210,795 for the year ended October 31, 2020 (2019 - $299,000) 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 $59,000 in revenue from these clients' activities in the year ended October 31, 2020 (October 31, 2019 – $130,000). As at October 31, 2020, net accounts receivable included $57,714 from related parties (2019 - $228,000).

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 Revolving Line of Credit, renewed May 31, 2018; loans attract interest at LIBOR + 2%, are repayable on demand, and are unsecured. At October 31, 2020, the intercompany loan balance was $8,565,000 (October 31, 2019 - $11,250,000) 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 amounts expressed in U.S. Dollars unless otherwise noted)

Transactions with related parties (continued)

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

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. Below is information related to each option grant:

Date of Grant	Expiry Date	Share price at grant date (CAD$)	Amount granted	Risk-free interest rate	Expected volatility	Exercise Price (CAD$)*	Fair value of option at grant date ($)
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

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

The outstanding options at October 31, 2020 and the respective changes during the periods are summarized as follows:

	Number of options #	Weighted average price CAD$
Outstanding at October 31, 2019	708,366	22.52
Granted	370,307	10.98
Exercised	-	-
Forfeited/Cancelled/Expired	(345,870)	29.14
Outstanding at October 31, 2020	732,803	14.01

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

Option grants (continued)

The following options were outstanding and exercisable at October 31, 2020:

Grant Date	Exercise price (Cdn$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
6-Jun-17	21.53	5,586	1.60	5,586
9-Aug-18	30.69	2,500	2.77	-
23-Jan-19	28.23	4,127	3.23	1,375
4-Mar-19	25.83	13,316	3.34	4,439
23-Oct-19	17.36	30,000	3.34	10,000
6-Apr-19	17.36	5,837	3.59	5,837
23-Oct-19	17.36	72,376	3.98	72,376
23-Oct-19	17.36	228,754	3.98	76,251
24-Jun-20	12.74	22,369	4.65	22,369
24-Jun-20	12.74	7,586	4.65	-
29-Jul-20	10.83	18,000	4.75	18,000
29-Oct-20	10.00	322,352	10.00	-
Total		732,803		216,233

The October 23, 2019 grant of 228,754 options was made outside of the Company’s stock option plan, and in accordance with the policies of TSX was approved by the shareholders on March 25, 2020.

On June 24, 2020 grants totaling 40,369 options were made to several officers of the Company that voluntarily reduced their salaries from June 1, 2020 through August 31, 2020. The options were fully vested on the date of grant, and the amount of the stock-based compensation recorded is equivalent to the gross salary that was forfeited by the officers.

On July 28, 2020, the Company offered an option replacement program whereby holders of certain “underwater” options were given a limited opportunity to surrender for cancelation such options and receive as compensation a significantly lower number of new options (the “Replacement Program”). The Replacement Program only applied to options granted to officers and directors on October 26, 2016, October 26, 2017, August 9, 2018 and October 23, 2018 who remained employed by the Company on the date that the Replacement Program was offered. Participants in the Replacement Program are eligible to receive one new option in exchange for every eight options tendered for cancelation. The replacement options may not be granted until 90 days has passed since the cancellation of the options tendered for cancelation and must have an exercise price equivalent to the fair market value of the common shares at the date of grant. All of the eligible option holders elected to participate in the Replacement Program. As a result, 241,463 options to purchase common shares were cancelled on July 31, 2020, and 19,450 options were cancelled on September 28, 2020. A grant of 30,182 replacement options was issued on October 29, 2020 related to the options that were cancelled on July 31, 2020. The Company recorded expenses of $113,740 related to the Replacement Program in on the year ended October 31, 2020 (see note 18 to the consolidated financial statements).

On October 29, 2020, 322,352 options were granted to officers and directors, which had a weighted average exercise price of CAD$10.83 and an expiry date of 10 years from the date of grant. At October 31, 2020, 75,810 options granted to officers on October 30, 2015 expired. No options were exercised before expiry.

Subsequent events

The Company evaluated subsequent events through January 27, 2021, the date this MD&A was prepared.

The Company changed its long-term incentive plan (LTIP) for Directors and Officers to comprise a mix of stock options coupled with Deferred Share Units ("DSUs") for Directors or Restricted Stock Units ("RSUs") for Officers and management, collectively referred to as the "**Plans**". The DSUs and RSUs that may be granted under the respective 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 RSUs awarded to management awarded under the Plans 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 of DSUs awarded to directors under the Plans will occur equally on a quarterly basis in the first year after the grant. The RSUs and DSUs have a three-year term, unless otherwise specified by the Board of Directors. On November 1st, 2020, the Company granted certain RSU and DSU awards made under the Plans in the amount of $388,000 and $220,000 respectively.

On January 25, 2021, the Company extinguished its revolving line of credit with Bank of Montreal. In its place, the Company established a fully collateralized revolving line of credit with Desjardins (see note 14 in the consolidated financial statements).

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. On November 1, 2019, the Company adopted IFRS 16 *Leases* ("IFRS 16") which contained new guidance for the recognition of leases. The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at November 1, 2019 being recognized as a single adjustment to retained earnings. For a full breakdown of the impact of the adoption of IFRS, refer to note 3 to the consolidated financial statements.
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 on limit the effects of COVID-19 on health of 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.

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

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 consolidated financial statements).

Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods. They are atypically low at October 31, 2020 due to the reduction in economic activity caused by COVID-19 related impacts. A breakdown of accounts receivable by category is below:

	At October 31, 2020	**At October 31, 2019**
Customer type	**$**	**$**
Domestic and international financial institutions	2,923,202	2,575,497
Money service businesses	846,168	7,274,152
Other	2,141,993	693,603
Total	**5,911,363**	**10,543,252**

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
Foreign Currency Risk (continued)

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 vaults, tills and in transit at October 31, 2020 was approximately $6,010,000 (October 31, 2019 - $6,860,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately $4,672,000 (2019 - $5,464,000). 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 +$93,000/-$93,000 (October 31, 2019 gain/loss of approximately +$109,000/-$109,000).

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

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

Interest Rate Risk

At October 31, 2020, 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 year ended October 31, 2020 would have been approximately +$19,500/-$19,500 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.

The following are non-derivative contractual financial liabilities:

	At October 31, 2020			
Non-derivative financial liabilities	**Carrying amount**	**Estimated contractual amount**	**This fiscal year**	**Future fiscal years**
	$	**$**	**$**	**$**
Accounts payable	14,690,553	14,690,553	14,690,553	$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

	At October 31, 2019			
Non-derivative financial liabilities	**Carrying amount**	**Estimated contractual amount**	**Next fiscal year**	**Future fiscal years**
	$	**$**	**$**	**$**
Accounts payable	12,583,741	12,583,741	12,583,741	$Nil
Line of credit	472,736	472,736	472,736	$Nil
Accrued expenses	2,767,711	2,437,831	2,437,831	$Nil
Contract liability	266,392	266,392	$Nil	266,392

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

Capital Management

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

	At October 31, 2020	At October 31, 2019
	$	$
Current assets	71,219,313	75,333,620
Current liabilities	(23,463,619)	(16,400,679)
Working capital	**47,755,694**	58,932,941

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.

CURRENCY EXCHANGE INTERNATIONAL, CORP.

Consolidated Financial Statements
For the years ended October 31, 2020 and 2019
(Expressed in U.S. Dollars)

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Independent auditor's report

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To the shareholders of

Currency Exchange International, Corp.

Opinion

We have audited the consolidated financial statements of Currency Exchange International, Corp. and its subsidiaries ("the Group"), which comprise the consolidated statements of financial position as at October 31, 2020, and October 31, 2019 and the consolidated statements of operations and comprehensive (loss) income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at October 31, 2020 and October 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant Cuylle.

Grant Thornton LLP

Toronto, Canada
January 27, 2021

Chartered Professional Accountants
Licensed Public Accountants

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Financial Position
Years ended October 31, 2020 and 2019
(Expressed in U.S. Dollars)

ASSETS	**October 31, 2020**	**October 31, 2019**
Current assets	$	$
Cash (Note 7)	59,311,553	62,873,873
Accounts receivable (Note 16)	5,911,363	10,543,252
Restricted cash held in escrow (Note 8)	2,963,474	644,657
Forward and option contracts (Note 17)	92,447	1,735
Income taxes receivable	1,829,664	-
Other current assets (Note 23)	1,110,812	1,270,103
Total current assets	**71,219,313**	**75,333,620**
Property and equipment (Note 9)	873,643	1,552,941
Intangible assets (Note 10)	5,938,900	3,910,749
Goodwill (Note 10)	2,207,733	1,238,319
Other assets	103,187	101,686
Right-of-use assets (Note 11)	4,389,091	-
Net deferred tax asset	1,026,651	592,403
Total assets	**85,758,518**	**82,729,718**
LIABILITIES AND EQUITY		
Current liabilities		
Line of credit (Note 14)	3,305,605	472,736
Accounts payable	14,690,553	12,583,741
Accrued expenses	2,519,167	2,767,711
Contract liability	163,901	266,392
Income taxes payable	-	310,099
Loss provision (Note 24)	675,000	-
Contingent consideration (Note 5)	359,666	-
Lease Liabilities (Note 11)	1,749,727	-
Total current liabilities	**23,463,619**	**16,400,679**
Long term liabilities		
Contingent consideration (Note 5)	343,894	-
Lease liabilities (Note 11)	3,455,107	-
Other long-term liabilities	266,163	-
Total long-term liabilities	**4,065,164**	**-**
Total liabilities	**27,528,783**	**16,400,679**
Equity		
Share capital	6,414,936	6,414,936
Equity reserves	29,967,681	29,204,578
Retained earnings	21,847,118	30,709,525
Total equity	**58,229,735**	**66,329,037**
Total liabilities and equity	**85,758,518**	**82,729,718**

The accompanying notes are an integral part of these consolidated financial statements.

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Operations and Comprehensive (Loss) Income
Years ended October 31, 2020 and 2019
(Expressed in U.S. Dollars)

	Year ended	
	October 31, 2020	**October 31, 2019**
Revenues	$	$
Commissions revenue	23,300,609	39,251,501
Fee revenue	1,712,814	2,532,542
Total revenues (Note 6)	25,013,423	41,784,043
Operating expenses (Note 20)	28,999,214	35,632,001
Net operating (loss) income	**(3,985,791)**	**6,152,042**
Other (loss) income		
Interest revenue	10,773	23,564
Government grants (Note 2)	761,533	-
Provision for loss (Note 24)	(1,693,207)	-
Gain on sale of assets	390	5,775
Restructuring expenses and impairment loss (Note 21)	(1,072,472)	-
Other expenses	(14,428)	-
Earnings before interest, taxes, depreciation and amortization	**(5,993,202)**	**6,181,381**
Interest expense (Note 14)	473,242	303,218
Interest on lease liabilities (Note 11)	272,687	-
Depreciation and amortization	1,621,121	1,330,258
Depreciation of right-of-use-assets (Note 11)	1,982,474	-
(Loss) Income before income taxes	**(10,342,726)**	**4,547,905**
Income tax (recovery) expense	(1,818,697)	1,623,185
Net (loss) income for the period	**(8,524,029)**	**2,924,720**
Other comprehensive income, after tax		
Net (loss) income for the period	(8,524,029)	2,924,720
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translating foreign operations	(274,561)	(101,699)
Total other comprehensive (loss) income	**(8,798,590)**	**2,823,021**
(Loss) earnings per share (Note 19)		
-basic	($1.33)	$0.46
-diluted	($1.33)	$0.46
Weighted average number of common shares outstanding (Note 19)		
-basic	6,414,936	6,412,593
-diluted	6,414,936	6,415,629

The accompanying notes are an integral part of these consolidated financial statements.

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Changes in Equity
Years ended October 31, 2020 and 2019
(Expressed in U.S Dollars)

	Share Capital		Equity Reserves				Retained Earnings	Total Equity
	Shares	Amount	Share premium	Accumulated Other Comprehensive Income (Loss)	Stock Options		Amount	Amount
	#	$	$	$	#	$	$	$
Balance at November 1, 2019	6,414,936	6,414,936	32,588,617	(5,591,093)	708,366	2,207,052	30,709,525	66,329,037
Stock based compensation (Note 18)	-	-	-	-	352,307	952,857	-	952,857
Forfeited, expired and cancelled options (Note 18)	-	-	-	-	(345,870)	53,046	-	53,046
Options issued on acquisition (Note 5)	-	-	-	-	18,000	31,765	-	31,765
Loss on foreign currency translation	-	-	-	(274,563)	-	-	-	(274,563)
Adjustment from the adoption of IFRS 16	-	-	-	-	-	-	(338,378)	(338,378)
Net loss	-	-	-	-	-	-	(8,524,029)	(8,524,029)
Balance, October 31, 2020	**6,414,936**	**6,414,936**	**32,588,617**	**(5,865,656)**	**732,803**	**3,244,720**	**21,847,118**	**58,229,735**
Balance at November 1, 2018	6,407,667	6,407,667	32,427,578	(5,489,393)	424,495	1,591,280	27,784,805	62,721,937
Stock based compensation (Note 18)	-	-	-	-	354,410	935,841	-	935,841
Issue of share capital and share premium on exercise of stock options (Note 18)	7,269	7,269	161,039	-	(34,769)	(127,619)	-	40,689
Forfeited options (Note 18)	-	-	-	-	(35,770)	(192,450)	-	(192,450)
Loss on foreign currency translation	-	-	-	(101,700)	-	-	-	(101,700)
Net income	-	-	-	-	-	-	2,924,720	2,924,720
Balance, October 31, 2019	**6,414,936**	**6,414,936**	**32,588,617**	**(5,591,093)**	**708,366**	**2,207,052**	**30,709,525**	**66,329,037**

The accompanying notes are an integral part of these consolidated financial statements.

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Cash Flows
Years ended October 31, 2020 and 2019
(Expressed in U.S. Dollars)

	Year ended	
	October 31, 2020	**October 31, 2019**
Cash flows from operating activities	**$**	**$**
Net income	(8,524,029)	2,924,720
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization	1,621,121	1,330,258
Depreciation of right-of-use assets	1,982,474	-
Stock based compensation	1,005,903	743,391
Change in forward and option contract positions (Note 15)	(90,608)	9,119
Loss (gain) on disposal, impairment of assets and leases	614,596	(5,775)
Deferred taxes	(436,907)	(542,799)
Increase (decrease) in cash due to change in:		
Accounts receivable	4,518,684	(917,471)
Restricted cash held in escrow	(2,295,460)	1,354,286
Income taxes receivable	(1,298,634)	(183,087)
Other assets	157,287	(143,819)
Contract liability	(194,249)	265,939
Loss provision (Note 24)	680,261	-
Accounts payable, accrued expenses, deposits and income taxes payable (Note 21)	1,321,066	6,117,462
Net cash flows from operating activities	**(938,495)**	**10,952,224**
Cash flows from investing activities		
Purchase of property and equipment	(123,175)	(1,205,437)
Purchase of intangible assets	(469,305)	(529,421)
Acquisitions, net of cash acquired (Note 5)	(3,461,265)	(3,226,616)
Contingent liabilities	699,046	-
Proceeds from sale of long-term asset	-	18,812
Net cash outflow from investing activities	**(3,354,699)**	**(4,942,662)**
Cash flows from financing activities		
Proceeds from exercise of stock options (Note 18)	-	40,685
Repayment of leasing liabilities	(2,288,112)	-
Interest on leasing liabilities	272,513	-
Net borrowing on line of credit (Note 14)	2,810,641	468,270
Net cash flows from financing activities	**795,042**	**508,955**
Net change in cash	(3,498,152)	6,518,517
Cash, beginning of period	62,873,873	56,402,979
Exchange difference on foreign operations	(64,168)	(47,623)
Cash, end of period	**59,311,553**	**62,873,873**

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the period for income taxes	1,613,148	1,275,469
Cash paid during the period for interest	745,929	303,218
Cash received during the year for interest	10,773	23,564

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations and Basis of Presentation

Nature of operations

Currency Exchange International, Corp. (the "**Company**") was originally incorporated under the name Currency Exchange International, Inc. under the Florida Business Corporation Act on April 7, 1998. The Company changed its name to Currency Exchange International, Corp. on October 19, 2007 and commenced its current business operations at that time. The Company is a public corporation whose shares are listed and posted for trading on the Toronto Stock Exchange ("**TSX**") under the symbol "CXI," and the over the counter market ("**OTCBB**") in the United States under the symbol "CURN". The Company operates as a money service and payments business that provides currency exchange, wire transfer, and cheque cashing services from its locations in the United States and Canada. The Company maintains a head office and five vaults as well as 35 branch locations (see Note 11), and 272 employees. The Company's registered head office is located at 6675 Westwood Boulevard, Suite 300, Orlando, Florida, 32821, United States of America. The Company's wholly-owned Canadian Subsidiary, Exchange Bank of Canada ("**EBC**") is registered as a non-deposit taking, non-lending "Schedule 1" bank engaged in foreign exchange services.

Basis of presentation

The presentation currency of the Company's consolidated financial statements is the U.S. Dollar. The accounting policies set out in Note 2 have been applied consistently to all periods presented in these consolidated financial statements. These consolidated financial statements have been prepared on a historical cost basis, except for the following assets and liabilities which are stated at their fair value: financial instruments classified as fair value through profit or loss ("**FVTPL**"), foreign currency forward and option contracts, contingent consideration and share-based payment plans. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

These consolidated financial statements were authorized for issue and approved by the Board of Directors on January 27, 2021.

2. Accounting Policies

Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiaries, EBC, a Schedule 1 bank in Canada, and eZforex.com, Inc. ("eZforex"), a Texas-based money service business. Subsidiaries are entities over which the Company has control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefit from its activities. Subsidiaries are fully consolidated from the date control is transferred to the Company and are de-consolidated from the date control ceases. All material intercompany transactions are eliminated on consolidation.

Recently adopted accounting standards

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretations Committee ("**IFRIC**"). Many are not applicable or do not have a significant impact to the Company, including IFRIC 23 *Uncertainty Over Income Tax Treatments*, and have been excluded.

2. Accounting Policies (continued)

In 2020, the Company adopted the new guidance for the recognition of leases under IFRS *Leases* ("IFRS 16") (see Note 3). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at November 1, 2019 being recognized as a single adjustment to retained earnings. Accordingly, the Company is not required to present a third statement of financial position as at that date.

In June 2020, the International Accounting Standards Board ("IASB") published an amendment 'COVID-19 Related Rent Concessions (amendment to IFRS 16)' (the "amendment"). The amendment adds a practical expedient to IFRS 16 which provides relief for lessees in assessing whether specific COVID-19 rent concessions are considered to be lease modifications. Instead, if this practical expedient is applied, these rent concessions are treated as if they are not lease modifications. The Company has adopted this amendment for the year ended October 31, 2020 (see Note 3 and Note 11)

Future Accounting Pronouncements

Certain pronouncements were issued by the IASB or International Financial Reporting Interpretations Committee ("**IFRIC**"). Many are not applicable or do not have a significant impact to the Company and have been excluded. The following amended standards and interpretations have not yet been adopted and are not expected to have a significant impact on the Company's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- IFRS 17 Insurance Contracts.

Cash

Cash includes, but is not limited to:

- local and foreign currencies held in tills and vaults;
- local and foreign currencies in transit;
- local and foreign currencies at customer locations on consignment;
- local and foreign currencies in branches or distribution centers; and
- cash in bank accounts.

Foreign cash is recorded at fair value based on foreign exchange rates as at October 31, 2020 and 2019, respectively.

Accounts receivable

Trade accounts receivable are stated net of an allowance for doubtful accounts. Accounts receivable consist primarily of bulk currency trades with a settlement cycle of 24 to 48 hours. The amount of accounts receivable varies widely from period to period due to the volume of activity and timing differences. The Company applies a simplified approach in accounting for the allowance for doubtful accounts as lifetime expected credit losses. These consider the potential for default during the life of the financial instrument and are the expected shortfalls in contractual cash flows. To estimate the expected shortfall, the Company considers specific customers, historical information, external indicators and forward-looking information. There is minimal counter-party risk as 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 customers and has a strong repayment history. Therefore, the allowance for doubtful accounts was not impacted by the adoption of IFRS 9 *Financial Instruments* ("IFRS 9"). The Company does not accrue interest on past due receivables. Management determined that the allowance for doubtful accounts was $Nil as of October 31, 2020 and 2019, respectively.

2. Accounting Policies (continued)

Revenue recognition

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") provides a comprehensive framework for the recognition, measurement, and disclosure of revenue from contracts with customers. To determine whether to recognize revenue, the Company follows a five-step process whereby the Company: (1) identifies the contract with the customer; (2) identifies the performance obligations; (3) determines the transaction price; (4) allocates the transaction price to the performance obligations; and (5) recognizes revenue when or as performance obligations are satisfied.

Commission revenues are the difference between the cost and selling price of foreign currency products, including bank notes, wire payments, cheque collections and draft issuances (foreign currency margin) 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 and commissions paid on the sale and purchase of currencies. The amount of this spread is based on competitive conditions and the convenience and value-added services offered. These revenue contracts are short term in nature and generally have a single performance obligation. Revenue is recognized at a point in time, being at the time each transaction occurs, and the performance obligation is satisfied, generally when the currency is delivered, or at the end of each reporting period when revaluations of foreign exchange positions take place. Consideration received from a customer prior to the satisfaction of the performance obligation is included as a contract liability in the statement of financial position.

Fee income includes fees collected on cheque cashing, wire transfers, cheque collections, and currency exchange transactions. These revenue contracts are short term in nature and generally have a single performance obligation with revenue being recognized at a point in time being the time the transaction occurs, and the performance obligation is satisfied, generally when the currency is delivered.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated at rates as at that date. Exchange gains and losses, which arise from normal trading activities, are included in operating expenses in the consolidated statements of income and comprehensive income when incurred. The functional currency of EBC is the Canadian Dollar and the functional currency of the Company and eZforex is the United States Dollar.

In situations where the functional currency is not the same as the presentation currency, foreign currency denominated assets and liabilities are translated to their presentation currency equivalents using foreign exchange rates in effect at the consolidated statement of financial position date. Revenues and expenses are translated at average rates of exchange during the period. Exchange gains or losses arising on the consolidation of the Canadian subsidiary are included in accumulated other comprehensive income. On disposal of a foreign operation, the related cumulative translation differences recognized in equity reserves are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

Foreign currency forward and option contracts

Foreign currency forward and option contracts are recognized on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The instrument is derecognized from the consolidated statement of financial position when the contractual rights or obligations arising from that instrument expire or are extinguished. Forward currency contracts are recognized at fair value. The gain or loss on fair value is recognized in income immediately in the consolidated statement of income and comprehensive income.

2. Accounting Policies (continued)

Property and equipment

Property and equipment are initially recorded at its cost and depreciated over its estimated useful life. Cost includes expenditures which are directly attributable to bringing the asset into working condition for its intended use. Depreciation is calculated on a straight-line basis, as follows:

Vehicles	3 years
Computer equipment	3 years
Furniture and equipment	3 years
Leasehold improvements	lesser of the lease term or useful life

When parts of an asset have different useful lives, depreciation is calculated on each separate part. In determining the useful lives of the component parts, the Company considers both the physical condition of the parts as well as technological life limitations. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

Goodwill and intangible assets

Goodwill, representing the excess of the purchase price over the fair value of the net assets acquired, is carried at its original value based on the acquisition, less impairment losses determined subsequent to the acquisition.

Intangible assets are comprised of the Company's internally developed software (“CEIFX”) and its related modules as well as software and customer trading relationships acquired through business combinations or asset purchase transactions. Costs that are directly attributable to a project’s development phase are recognized as intangible assets, provided they have met the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Company intends to and has sufficient resources to complete the project;
- the Company has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalization are expensed as incurred.

Amortization for intangibles is computed on an individual basis over the estimated economic life using the straight-line method as follows:

Internally developed software	5 years
Acquired software	2 years
Customer trading relationships	5-10 years
Tradename, Non-competition agreements	5 years

Residual values and useful lives are reviewed at each reporting date.

2. Accounting Policies (continued)

Business combinations

Business combinations are accounted for by applying the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* ("IFRS 3"), are recognized at their fair value at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Transaction costs related to the acquisition are expensed as they are incurred.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is determined to be a financial asset or liability will be recognized in accordance with IFRS 9 *Financial Instruments*, at fair value through profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill arising on acquisition is recognized as an asset that represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree on the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net income immediately after acquisition.

Where goodwill forms part of a cash generating unit ("CGU") and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair value of the operation disposed of and the portion of the CGU retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known would have affected the amounts recognized at that time.

The measurement period may be up to one year from the acquisition date. Upon conclusion of the measurement period or final determination of the values of assets acquired and liabilities assumed whichever occurs first, any subsequent adjustments are recorded to income within the consolidated statement of operations.

For a given acquisition, the Company may identify certain pre-acquisition contingencies as of the acquisition date and may extend its review and evaluation of these pre-acquisition contingencies throughout the measurement period to obtain sufficient information to assess these contingencies as part of acquisition accounting, as applicable.

2. Accounting Policies (continued)

Provisions

Provisions are recognized when, (a) the Company has a present obligation (legal or constructive) as a result of a past event, and (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income and comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Restructuring provisions

Provisions for legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognized only if a detailed formal plan for the restructuring exists and management has either communicated the plan's main features to those affected or started implementation. Provisions are not recognized for future operating losses.

Holding and prepayment accounts

Holding and prepayment accounts represent funds received from customers that are held in the functional currency of the Company on behalf of the customer, who has the unilateral right to transfer out or convert the funds at any time. Amounts are initially measured at fair value, net of any transaction costs directly attributable to the issuance of the instrument.

Holding and prepayment accounts are subsequently measured at amortized cost, using the effective interest rate method. As at October 31, 2020, $1,595,364 related to these holding and prepayment accounts were included in accounts payable (2019 - $386,837).

Share-based payments

The Company's share option plan allows certain employees, directors and consultants to acquire shares of the Company. Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a graded vesting basis over the period during which the employee, director or consultant becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

2. Accounting Policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company is required to initially recognize all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and measurement of financial assets

IFRS 9 provides guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. IFRS 9 also contains new requirements on the application of a hedging model to align hedge accounting more closely with entities' risk management activities.

IFRS 9 includes a new classification and measurement approach for financial assets that considers the business model in which the assets are managed and their cash flow characteristics. Subsequent to initial recognition, financial assets are not reclassified unless the Company adopts changes in its business model in managing those assets. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: amortized cost; fair value through profit or loss ("FVTPL"); or fair value through other comprehensive income ("FVTOCI"). The adoption of IFRS 9 did not result in significant changes in the classification, measurement or carrying amount of financial assets.

Classification and measurement of financial liabilities

IFRS 9's requirements for financial liabilities remains largely consistent compared to IAS 39. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recorded in the statement of income. The adoption of IFRS 9 did not result in significant changes in the classification, measurement or carrying amounts of financial liabilities.

The Company's financial assets and liabilities are classified and measured as follows:

Cash	Fair value through profit and loss
Accounts receivable	Amortized cost
Restricted cash held in escrow	Amortized cost
Forward and option contract assets	Fair value through profit and loss
Accounts payable	Amortized cost
Contract liability	Amortized cost
Line of credit	Amortized cost
Contingent consideration	Fair value through profit and loss

Transaction costs other than those related to financial instruments classified as FVTPL or FVTOCI, which are expensed as incurred, are added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition and amortized using the effective interest method.

2. Accounting Policies (continued)

Impairment of financial assets

IFRS 9's impairment requirements use the 'expected credit loss' ("ECL") model. The ECL model replaces IAS 39's 'incurred loss model' and uses forward-looking information to recognize expected credit losses. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts that are not measured at fair value through profit or loss.

Under the new standard, the Company considers a wider range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable projections that impact the collectability of the future cash flows of the instrument. The adoption of IFRS 9 and the ECL model had no impact on the Company's consolidated financial statements.

Accounts receivable

The Company applies a simplified approach in accounting for the loss allowance for receivables and contract assets as lifetime expected credit losses. These consider the potential for default during the life of the financial instrument and are the expected shortfalls in contractual cash flows. To estimate the expected shortfall, the Company considers specific customers, historical information, external indicators and forward-looking information. Due to the longstanding relationships with most of its customers, strong repayment history and the short-term nature of the financial assets, the loss allowance for receivables was not impacted by the adoption of IFRS 9.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at FVTPL, except for derivatives designated as hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements: there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value changes that result from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. As the Company does not apply hedge accounting, the consolidated financial statements were not impacted by the new hedging requirements under IFRS 9.

Financial instruments recorded at fair value

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

2. Accounting Policies (continued)

Earnings per share

The Company presents basic and diluted earnings per share data for its common shares, calculated by dividing the earnings attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the earnings attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive warrants and options outstanding that may add to the total number of common shares.

Income taxes

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the consolidated statement of financial position date.

Deferred income taxes are calculated using the liability method on temporary differences. Tax losses available to be carried forward as well as other income tax credits are assessed for recognition as deferred tax assets.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted at the consolidated statement of financial position date. This provision is not discounted. Deferred tax liabilities are generally recognized in full, although IAS 12 *Income Taxes* (“IAS 12”) specifies limited exemptions. Deferred tax assets are recognized to the extent that it is probable that they will be able to be offset against future taxable income.

Management bases its assessment of the probability of future taxable income on the Company's latest approved forecasts, which are adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The specific tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Changes in deferred tax assets and liabilities are recognized as a component of tax expense in the consolidated statement of income and comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Accounting for government grants and assistance

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 October 31, 2020 EBC qualified for $745,190 in grants under the program, of which $198,990 was a receivable as of the consolidated statement of financial position date. The Canada Emergency Rent Subsidy (“CERS”) program became effective for rent periods beginning on September 27, 2020. Under this program, EBC received a subsidy for up to 68% of qualified rent expenses. Through October 31, 2020 EBC qualified for $16,343, which was a receivable as of the consolidated statement of financial position 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. The grant revenue has been recognized by the Company separately as other income within the statement of operations.

2. Accounting Policies (continued)

Through October 31, 2020 the Company qualified to defer $266,163 in Social Security taxes. Under sections 2302(a)(1) and (a)(2) of the Coronavirus Aid, Relief and Economic Security Act ("CARES"), employers may defer deposits of the employer's share of Social Security tax due during the "payroll tax deferral period" and payments of the tax imposed on wages paid during that period. The payroll tax deferral period commenced on March 27, 2020 and ends December 31, 2020. Repayment of the deferred amount is not required prior to December 31, 2021 and therefore is classified in 'other long-term liabilities.'

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit ("CGU") level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Company at which management monitors goodwill. CGUs to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds it carrying amount.

3. IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Company recognizing a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or leases having substantive substitution rights.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognized in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being November 1, 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

(Expressed in U.S. Dollars)

3. IFRS 16 'Leases' (continued)

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases of low-value assets the Company has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to all lease liabilities recognized under IFRS 16 was 5.0%.

The Company has applied historical experience in determining the estimated lease terms when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at November 1, 2019:

	Carrying Amount at October 31,2019	Remeasurement	IFRS 16 carrying amount at November 1, 2019
	$	$	$
Right-of-use-assets	-	5,481,031	5,481,031
Lease liabilities	-	(6,092,927)	(6,092,927)
Total	-	(611,896)	(611,896)

The following is a reconciliation of total operating lease commitments at October 31, 2019 to the lease liabilities recognized at November 1, 2019:

Total operating lease commitments disclosed at October 31, 2019		**6,306,225**
Recognition exemptions:		
Leases with substantive substitution rights	(1,795,241)	
Leases with remaining lease term of less than 12 months	(149,864)	
Variable lease payments not recognized	(2,223,340)	
Other minor adjustments relating to commitment disclosers	-	
		(4,168,444)
Reasonably certain extension options		5,062,692
Operating lease liabilities before discounting		7,200,473
Discounted using incremental borrowing rate		(1,054,857)
Operating lease liabilities		6,145,616
Foreign currency translation		(52,689)
Total Lease liabilities recognized under IFRS 16 at November 1, 2019		**6,092,927**

Additional information with respect to the IFRS 16 changes can be found in Note 11.

4. Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgments, estimates and assumptions applied in the consolidated financial statements, including the key sources of estimation uncertainty, have been updated based on information at October 31, 2020 and with particular respect to the analysis of potential impairment of the Company's assets and its ability to continue as a going concern.

When preparing the financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expense.

Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company and have the most significant effect on the financial statements:

Carrying value of internally developed software

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 its estimated useful economic life, which has been assessed as a period of five years. Costs relating to software maintenance, regular software updates, and minor software customizations are expensed as incurred. The Company reviews completed software modules within www.ceifx.com for impairment on an ongoing basis.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, intercompany allocations in accordance with its transfer pricing policy, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are (i) within the Company's control, (ii) feasible, and (iii) within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Impairment of financial assets

All financial assets except for those at FVTPL are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or group of financial assets is impaired.

4. Significant management judgment in applying accounting policies and estimation uncertainty (continued)

Impairment of non-financial assets

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 non-financial assets) and at objective evidence, for a 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 that the carrying value may not be recoverable.

Goodwill is tested for impairment at least annually and at other times when such indicators exist.

Estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Information about estimates and assumptions that have the most significant effect on recognition and measurements of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Share-based payments

Management determines the overall expense 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. The determination of the most appropriate valuation model is dependent on the terms and conditions of the grant. 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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 18. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Depreciation and amortization expense

The Company's property and equipment and intangible assets are depreciated and amortized over their estimated useful economic lives. Useful lives are based upon management's best 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 depreciation or amortization and in the assets' carrying amounts.

Fair value measurement

Management uses valuation techniques to determine the fair value of certain financial instruments (where active market quotes are not available). This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as much as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

4. Significant management judgment in applying accounting policies and estimation uncertainty (continued)

Contingencies

The Company is subject to contingencies that are not recognized as liabilities because they are either:

- possible obligations that have yet to be confirmed whether the Company has a present obligation that could lead to an outflow of resources embodying economic benefits; or
- present obligations that do not meet recognition criteria because either it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a sufficiently reliable estimate of the amount of the obligation cannot be made.

Refer to Note 5 and Note 24.

5. Acquisitions

5(a). Denarius Financial Group Inc.

On July 29, 2020 the Company's wholly-owned subsidiary, Exchange Bank of Canada ("EBC"), acquired certain assets of Denarius Financial Group Inc. ("DFG"), a payments business operating in the province of Quebec for approximately 22 years. The assets that EBC acquired included a total of approximately 450 corporate customers that are engaged in international payments. 6 employees were retained and employed in EBC's Montreal Office. The Company determined that this acquisition met the definition of a business and accounted for the transaction as a business combination under the acquisition method of accounting in accordance with IFRS 3 *Business Combinations*.

EBC paid $2,748,290 (CAD 3,660,000) in cash on closing, and EBC's parent company Currency Exchange International ("CXI") issued 18,000 fully vested stock options to the shareholders of the vendor on the date of acquisition. In addition, there are two contingent payments of up to a maximum of $375,432 (CAD 500,000) each and payable on the first and second anniversary after closing. The additional payments will be based on the amount of revenue generated from the customer trading relationships acquired. The Company has estimated the likelihood of future revenues to determine the estimated contingent consideration. Management had estimated these payments for the first and second anniversary at $343,894 (CAD 457,998) and $359,666 (CAD 479,003) respectively, for total contingent consideration of $727,130 (CAD 968,392). The Company allocated this contingent consideration to customer trading relationships.

An increase (decrease) in the estimate of the amount of revenue generated from the customer trading relationships acquired of +/- 10% would not affect the fair value of the contingent consideration.

Assets assumed in the acquisition have been recorded at their fair values as at the date of acquisition. Due to the timing of this acquisition, these amounts were provisional and subject to change at July 31, 2020. Subsequently, the Company completed its measurement process once the necessary information was obtained.

It was determined that the fair value of the purchase price was overstated by $23,570 (CAD 31,391) at July 31, 2020 as a result of a reduction in the long-term contingent consideration due to a change in estimate as at the date of acquisition related to the discount rate applied. In addition, there was a reallocation of the value of customer relationships by $923,105 (CAD 1,229,391). This was offset by an increase in the fair value of the non-compete agreements and implied goodwill. The final fair value of these intangibles at the date of acquisition was $3,430,402 (CAD 4,568,609). The final purchase price of Denarius acquisition was $3,483,615 (CAD 4,639,481).

(Expressed in U.S. Dollars)

5. Acquisitions (continued)

The provisional purchase price allocation ("PPA"), adjustments and final allocation of the purchase consideration with the fair value of net assets acquired is as follows:

	USD	CAD
Provisional PPA		
Net tangible asset	5,158	6,872
Trade name	37,543	50,000
Unpatented technology	10,512	14,000
Customer relationships	3,153,627	4,200,000
Non-compete agreements	225,259	300,000
Implied goodwill	75,086	100,000
Total assets acquired at July 31, 2020	3,507,185	4,670,872
Provisional Purchase Consideration		
Cash	2,748,290	3,660,000
Stock Options	31,765	42,480
Contingent Consideration	359,666	479,003
Contingent Consideration - long term	367,464	489,389
Total consideration at July 31, 2020	3,507,185	4,670,872
PPA allocation adjustments		
Customer relationships	(923,105)	(1,229,391)
Non-compete agreements	76,588	102,000
Implied goodwill	822,947	1,096,000
Total adjustments at October 31, 2020	(23,570)	(31,391)
Contingent Consideration - long term	(23,570)	(31,391)
Total adjustments at October 31, 2020	(23,570)	(31,391)
Final PPA allocation		
Net tangible asset	5,158	6,872
Trade name	37,543	50,000
Unpatented technology	10,512	14,000
Customer relationships	2,230,522	2,970,609
Non-compete agreements	301,847	402,000
Implied goodwill	898,033	1,196,000
Balance at October 31, 2020	3,483,615	4,639,481
Final Purchase Consideration		
Cash	2,748,290	3,660,000
Stock Options	31,765	42,480
Contingent Consideration	359,666	479,003
Contingent Consideration - long term	343,894	457,998
Balance at October 31, 2020	3,483,615	4,639,481

The consolidated statements of operations and comprehensive (loss) income for the year ended October 31, 2020 include $288,234 (CAD 383,870) in revenue, and $446,259 (CAD 594,328) in expenses for a net pre-tax loss of $158,025 (CAD 210,458) from the Denarius business after the date of acquisition. Expenses include legal and professional fees associated with the transaction of $172,801 (CAD 230,136) and amortization of $123,107 (CAD 163,954).

5(b). eZforex.com, Inc.

On September 6, 2019 the Company completed a share acquisition of eZforex.com, Inc. ("eZforex"). The Company acquired 100% of the issued and outstanding shares of eZforex in exchange for cash consideration of $4,180,993.

(Expressed in U.S. Dollars)

5. Acquisitions (continued)

The Company determined that this acquisition met the definition of a business and accounted for the transaction as a business combination using the acquisition method of accounting in accordance with IFRS 3 *Business Combinations*. Assets assumed in the acquisition have been recorded at their fair values as at the date of acquisition. The excess of the consideration transferred over the fair value of the assets acquired has been included in goodwill.

The acquisition is expected to contribute to the profitability of the Company through key customer contracts acquired and synergies identified and expected to be realized in the elimination of redundant expenditures including staff and overheads. In determining the fair market value of the assets acquired, synergies are not factored in in order to assess a fair market participant value. As a result, goodwill was created which represents the synergistic benefits to be realized by the Company starting immediately following acquisition. The goodwill acquired is not expected to be deductible for tax purposes.

The allocation of the purchase consideration and the fair value of net assets acquired is as follows:

Net working capital, including cash	$954,377
Computer software	90,000
Trade name	470,000
Customer trading relationships	1,910,000
Non-compete agreements	200,000
Deferred tax liability	(681,703)
Goodwill	1,238,319
Consideration paid	$4,180,993

6. Segments

The Company operates in the United States and Canada. The Company's revenue from external customers and information about its assets by geographical location and product line are detailed below:

Revenues by Geography

	United States	Canada	Total
Year ended October 31, 2020	19,601,984	5,411,439	25,013,423
Year ended October 31, 2019	35,137,626	6,646,417	41,784,043

Revenues by Product Line

	Banknotes	Payments	Total
Year ended October 31, 2020	21,595,790	3,417,633	25,013,423
Year ended October 31, 2019	39,144,401	2,639,642	41,784,043

(Expressed in U.S. Dollars)

6. Segments (continued)

	At October 31, 2020			At October 31, 2019		
Assets	**United States**	**Canada**	**Total**	**United States**	**Canada**	**Total**
	$	$	$	$	$	$
Cash	39,322,593	19,988,960	59,311,553	37,760,599	25,113,274	62,873,873
Accounts receivable	5,187,707	723,656	5,911,363	4,961,794	5,581,458	10,543,252
Restricted cash held in escrow	581,693	2,381,781	2,963,474	644,657	-	644,657
Other current assets	572,830	537,982	1,110,812	1,001,960	268,143	1,270,103
Property and equipment	430,284	443,359	873,643	904,475	648,466	1,552,941
Intangible assets	3,307,050	2,631,850	5,938,900	3,692,019	218,730	3,910,749
Goodwill	1,309,700	898,033	2,207,733	1,238,319	-	1,238,319
Other assets	103,187	-	103,187	101,686	-	101,686
Forward and option contracts	55,232	37,215	92,447	-	-	-
Right-of-use assets	2,358,751	2,030,340	4,389,091	-	-	-
Income taxes receivable	1,829,664	-	1,829,664	-	-	-
Net deferred tax asset	805,307	221,344	1,026,651	368,399	224,002	592,401
Total assets	**55,863,998**	**29,894,520**	**85,758,518**	**50,663,529**	**32,066,187**	**82,729,716**

7. Cash

Included within cash of $59,311,553 at October 31, 2020 (October 31, 2019 - $62,873,873) are the following balances:

	At October 31, 2020	**At October 31, 2019**
	$	$
Cash held in transit, vaults, tills and consignment locations	34,340,751	49,714,265
Cash deposited in bank accounts in jurisdictions in which the Company operates	24,970,802	13,159,608
Total	59,311,553	62,873,873

8. Restricted Cash Held in Escrow

Certain of the Company's secured transactions and derivative contracts require the Company to post cash collateral or maintain minimum cash balances in escrow. The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated. The Company has also been required to post the collateral associated with its new credit facility with Desjardins Group (see Note 14). At October 31, 2020 the Company had cash collateral balances of $2,963,474, represented by $1,461,747 (October 31, 2019 - $644,657) being held as collateral on forward contracts and $1,501,727 (October 31, 2019 - $Nil) being held on collateral on the Desjardins credit facility. These balances are reflected as restricted cash held in escrow in the consolidated statements of financial position.

(Expressed in U.S. Dollars)

9. Property and Equipment and Impairment of Asset

The Company has applied IAS 36 *Impairment of Assets* to ensure the assets are carried at no more than their recoverable amount (see Note 21). Property and equipment consisted of the following:

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost	$	$	$	$	$
Balance, October 31, 2018	81,239	408,305	859,348	2,213,576	3,562,468
Additions	17,723	326,611	179,542	681,561	1,205,437
Disposals	(32,988)	-	-	-	(32,988)
Net exchange differences	-	432	405	3,666	4,503
Balance, October 31, 2019	65,974	735,348	1,039,295	2,898,803	4,739,420
Additions	2,628	32,801	32,375	63,762	131,566
Disposals (Note 21)	(2,628)	-	(654)	(244,504)	(247,786)
Net exchange differences	-	(1,646)	(4,055)	(8,372)	(14,073)
Balance, October 31, 2020	**65,974**	**766,503**	**1,066,960**	**2,709,690**	**4,609,127**

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Depreciation	$	$	$	$	$
Balance, October 31, 2018	51,287	292,432	633,436	1,594,939	2,572,094
Additions	13,473	104,306	169,055	345,953	632,787
Disposals	(19,952)	-	-	-	(19,952)
Net exchange differences	-	266	542	742	1,550
Balance, October 31, 2019	44,808	397,004	803,033	1,941,634	3,186,479
Additions	12,321	159,338	132,977	368,376	673,012
Impairment of asset (Note 21)	-	-	-	120,926	120,926
Disposals (Note 21)	(872)	-	(496)	(232,603)	(233,971)
Net exchange differences	(7)	(1,085)	(7,434)	(2,436)	(10,962)
Balance, October 31, 2020	**56,250**	**555,257**	**928,080**	**2,195,897**	**3,735,484**

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Carrying amounts	$	$	$	$	$
Balance, October 31, 2019	21,166	338,344	236,262	957,169	1,552,941
Balance, October 31, 2020	**9,724**	**211,246**	**138,880**	**513,793**	**873,643**

(Expressed in U.S. Dollars)

10. Goodwill and Intangible Assets

Intangible assets comprise the Company's internally developed software ("**CEIFX**") and its related modules as well as software and customer trading relationships acquired through an asset purchase transaction as well as the purchase of eZforex and DFG (see Note 5). Amortization for intangibles is computed on an individual basis over the estimated useful life using the straight-line method as follows:

Internally developed software	5 years
Acquired software	2 years
Customer trading relationships	5-10 years
Tradename, Non-compete agreements	5 years

Cost	**Internally developed software** $	**Acquired software** $	**Customer trading relationships** $	**Trade Name, Non-Compete & Unpatented Tech Cost** $	**Goodwill** $	**Total** $
Balance, October 31, 2018	2,241,771	480,000	3,288,283	-	-	6,010,054
Additions	526,260	93,161	1,910,000	670,000	1,238,319	4,437,740
Net exchange differences	(217)	-	-	-	-	(217)
Balance, October 31, 2019	2,767,814	573,161	5,198,283	670,000	1,238,319	10,447,578
Additions	396,489	1,435	2,216,211	347,657	963,652	3,925,441
Net exchange differences	(3,202)	-	14,311	2,245	5,762	19,116
Balance, October 31, 2020	**3,161,101**	**574,596**	**7,428,805**	**1,019,902**	**2,207,733**	**14,392,135**

Amortization	**Internally developed software** $	**Acquired software** $	**Customer trading relationships** $	**Trade Name, Non-Compete & Unpatented Tech Cost** $	**Goodwill** $	**Total** $
Balance, October 31, 2018	1,090,916	480,000	3,014,260	-	-	4,585,176
Amortization	378,823	6,750	292,098	19,800	-	697,471
Net exchange differences	488	-	15,375	-	-	15,863
Balance, October 31, 2019	1,470,227	486,750	3,321,733	19,800	-	5,298,510
Amortization	533,110	45,000	236,000	134,000	-	948,110
Net exchange differences	(2,800)	919	358	405	-	(1,118)
Balance, October 31, 2020	**2,000,537**	**532,669**	**3,558,091**	**154,205**	**-**	**6,245,502**

Carrying amounts	**Internally developed software** $	**Acquired software** $	**Customer trading relationships** $	**Trade Name, Non-Compete & Unpatented Tech Cost** $	**Goodwill** $	**Total** $
Balance, October 31. 2019	1,297,587	86,411	1,876,550	650,200	1,238,319	5,149,068
Balance, October 31, 2020	**1,160,564**	**41,927**	**3,870,714**	**865,697**	**2,207,733**	**8,146,633**

(Expressed in U.S. Dollars)

10. Goodwill and Intangible Assets (continued)

The movements in the net carrying amount of goodwill are as follows:

	October 31, 2020
Gross carrying amount	**$**
Balance October 31, 2019	1,238,320
Adjustment to the fair value of the eZforex.com goodwill on acquisition	71,380
Acquired through business combination with DFG	898,033
Balance October 31, 2020	**2,207,733**
Accumulated impairment	
Balance October 31, 2019	-
Impairment loss recognized	-
Balance October 31, 2020	**-**
Carrying amount at October 31, 2020	**2,207,733**

Impairment testing

There were no indicators of impairment at October 31, 2020 or 2019. The Company performs an annual impairment test; however, no test was performed in fiscal 2019 as the goodwill arose from the acquisition which occurred in Q4 2019 (see Note 5b).

For the purpose of annual impairment testing, goodwill is allocated to the cash generating units expected to benefit from the synergies of the business combinations in which the goodwill arises as set out below and is compared to its recoverable value.

	October 31, 2020
Goodwill allocated to cash generating units	**$**
eZforex	1,309,700
Denarius	898,033
Total	**2,207,733**

	October 31, 2020
Recoverable amount of cash generating units	**$**
eZforex	5,174,373
Denarius	5,136,689

The recoverable amount of each cash generating unit ("CGU") was determined based on value-in-use calculations, covering a detailed three-year forecast, followed by an extrapolation of expected cash flows for the remaining useful lives using a declining growth rate determined by management. The present value of the expected cash flows of each CGU is determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the CGU.

	Growth Rates	Discount Rates
	October 31, 2020	**October 31, 2020**
eZforex	2%	20%
Denarius	2%	20%

(Expressed in U.S. Dollars)

10. Goodwill and Intangible Assets (continued)

Growth rates

The growth rates reflect management's best estimate of the average long-term growth rates from the product mix and industry of the cash generating units. The growth rates are in-line with general standards and are conservative in nature when compared to historical growth rates due to potential uncertainty.

Discount rates

The discount rates are pre-tax rates and reflect appropriate adjustments relating to market risk and specific risk factors of each cash generating unit.

Cash flow assumptions

The key cash flow assumptions are based on the expected margins of each cash generating unit, which have been determined based on a combination of past experience in the markets in which the Company operates as well as historical information and the expected growth in the forecast period for the specific cash generating units. The Company's management believes that this is the best available input for forecasting these markets. Cash flow projections reflect profit margins achieved immediately before the most recent budget period as well as those utilized to value the recent acquisitions to which goodwill relates. No material efficiency improvements have been taken into account.

Other than the considerations described in determining the recoverable amount of the cash generating units described above, there are no other key assumptions.

11. Leases

Lease liabilities are presented in the statement of financial position as follows:

	October 31, 2020	October 31, 2019
	$	$
Current lease liabilities	1,749,727	-
Non-current lease liabilities	3,455,107	-
Total	5,204,834	-

The Company has leases for corporate offices as well as its retail store locations. With the exception of short-term leases and leases of low-value underlying assets, each lease, meeting the definition under IFRS 16, is reflected on the statements of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of Company sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9).

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantial termination fee. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over corporate offices and retail store locations, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

(Expressed in U.S. Dollars)

11. Leases (continued)

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized on balance sheet:

Right-of-use asset	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of lease with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Equipment	1	4 years	3	1	-	-	-
Corporate offices	11	0-13 years	4	5	-	-	-
Retail store locations	20	0-7 years	1	1	-	-	1
Total	**32**	**0-13 years**	**2**	**7**	**0**	**0**	**1**

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at October 31, 2020 were as follows:

	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
Lease payments	1,943,911	1,057,761	554,976	418,154	388,546	1,671,417	6,034,765
Finance charges	194,315	132,477	106,145	89,831	75,824	231,339	829,931
Net PV	1,749,596	925,284	448,831	328,323	312,722	1,440,078	5,204,834

The Company has elected not to recognize a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. In addition, the Company has not recognized a right-of-use asset or lease liability with respect to leases identified where the lessor was determined to have substantive substitution rights. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	Year ended October 31, 2020	Year ended October 31, 2019
	$	$
Leases with substantial substitution rights	608,314	-
Short-term leases	187,196	-
Variable lease payments	328,969	-
Total	**1,124,479**	**-**

At October 31, 2020, the Company was committed to short-term leases and the total commitment at that date was $187,196. Through October 31, 2020 rent abatements of $281,334 were recorded as a reduction to rent expense in accordance with the practical expedient for lessees under IFRS 16, as they are a direct consequence of the COVID-19 pandemic. These abatements were related to certain retail locations that were required to close in response to state or local orders during the pandemic. At October 31, 2020 the Company recorded restructuring expenses of $222,039 related to lease impairment on 3 retail store locations and 2 corporate offices as the consequence of COVID-19 pandemic (see Note 21).

This is included in restructuring and impairment expenses in the consolidated statement of operations.

(Expressed in U.S. Dollars)

11. Leases (continued)

Total cash outflow for leases for the year ended October 31, 2020 was $2,288,112.

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying Amount	Depreciation Expense	Impairment
	$	$	$
Equipment	4,528	1,873	-
Corporate offices	2,452,245	597,779	86,326
Retail store locations	1,932,318	1,382,822	135,713
Total right-of-use assets	**4,389,091**	**1,982,474**	**222,039**

12. Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities as of October 31, 2020 and 2019 consist of the following:

	October 31, 2020	October 31, 2019
	$	$
Deferred tax assets		
Accrued expenses	187,782	308,632
Stock based compensation	669,675	525,503
Other	13,721	185,964
Net property and equipment	103,083	-
Net leasing assets	158,598	-
Net intangible assets	110,744	-
Net operating loss	308,918	
Total deferred tax assets	1,552,521	1,020,099
Deferred tax liabilities		
Net property and equipment	(131,069)	(129,004)
Net intangible assets	(345,906)	(298,692)
Other	(48,895)	-
Total deferred tax liabilities	(525,870)	(427,696)
Net deferred tax asset	1,026,651	592,403

Reconciliation of the provision for income taxes to the amount calculated using the Company's statutory tax rate for the year ended October 31, 2020 and 2019 are as follows:

	October 31, 2020	October 31, 2019
	$	$
Income before taxes	(10,342,726)	4,457,905
Statutory tax rate	26.53%	25.53%
Tax expense at statutory rate	(2,744,244)	1,138,103
Recovery on exercise of director and employee stock options	-	(2,283)
Foreign tax rate adjustment	-	474,741
Other non-deductible differences	163,975	12,624
Initial recognition of right-of-use assets	(110,207)	-
Research and development tax credits related to prior years	(121,883)	-
Benefit not recognized on EBC operating losses	993,662	-
Income tax (benefit) expense	(1,818,697)	1,623,185

(Expressed in U.S. Dollars)

12. Income Taxes (continued)

The enacted tax rates in the United States of 21% (2019 - 22%) and Canada of 26.5% (2019 – 26.5%) where the Company operates are applied in the in the tax provision calculation.

The Company did not recognize a benefit related to net operating losses incurred in the year-ended October 31, 2020, in its Canadian subsidiary, Exchange Bank of Canada, due to uncertainty as to its ability to generate future taxable income against which the losses may be applied. The estimated benefit not recognized, based on the statutory tax rate in effect on the reporting date is $993,662. The losses may be carried forward for up to twenty years.

The provision for income taxes for the year ended October 31, 2020 and 2019 consists of the following:

	October 31, 2020	October 31, 2019
	$	$
Current tax expense	(1,382,079)	2,140,029
Deferred tax expense	(436,618)	(516,844)
Income tax (expense) benefit	(1,818,697)	1,623,185

13. Seasonality of Operations and Impact of Global Pandemic

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 lower 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.

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.

In response to measures implemented to curtail the effects of COVID-19, the Company closed all of its retail locations on or around March 24, 2020 and began to re-open stores in May 2020. Certain locations that re-opened were subsequently closed again due to a resurgence of COVID-19 in their respective states. The Company chose to permanently close 11 of its branches, reducing its total number of locations to 35 at October 31, 2020, and eliminating 66 employees. This resulted in lease and asset impairment charges of $664,647 and other restructuring charges of $407,825 in the year ending October 31, 2020 (2019 - $nil) (see Note 21). In addition, many of the Company’s commercial customers have been impacted by COVID-19, and the Company has also closed one vault temporarily due to the low volume of demand for banknotes.

Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions (see Note 2 and Note 11). 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.

14. Lines of Credit

The Company maintains a line 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 October 31, 2020 – 2.15% (2019 – 2.1%)). At October 31, 2020, the balance outstanding was $Nil (October 31, 2019 - $Nil).

The Company's wholly-owned Canadian subsidiary, EBC, maintains a revolving line of credit with Bank of Montreal with a limit of CAD 6,000,000 ($4,505,181) being secured against cash assets held in its vaults. The line of credit bears interest at CAD prime plus 0.5% [at October 31, 2020 – 2.95% (2019 – 4.45%)]. At October 31, 2020, the balance outstanding was $3,305,605 (October 31, 2019 - $472,736). On October 19, 2020, EBC established a CAD 2,000,000 revolving line of credit with Desjardins Group ("Desjardins"), being secured against collateral of CAD 2,000,000. The line of credit bears interest at CAD prime rate plus 0.25% (at October 31, 2020- 2.70%). At October 31, 2020, the balance outstanding was $Nil.

On April 21, 2020 the Company received a loan in the amount of $2,397,000 from the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. On May 14, 2020 the Company elected to make early repayment of the entire principal amount of the loan for $2,398,506, including interest, thereby extinguishing all of its obligations under the CARES Act in respect of this loan.

Interest expense relates to interest payments on lines of credit. Interest expense for year ended October 31, 2020 was $473,242 (October 31, 2019 - $303,218).

15. Fair Value Measurement of Financial Instruments

IAS 34 requires that financial statements include certain disclosures about the fair value of financial instruments as set out in IFRS 13 and IFRS 7. These disclosures include the classification of fair values within a three-Level hierarchy. The three Levels are defined based on the observation of significant inputs to the measurement, as follows:

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

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

There were no transfers between Level 1 and Level 2 during the year ended October 31, 2020 and the year ended October 31, 2019. The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value.

(Expressed in U.S. Dollars)

15. Fair Value Measurement of Financial Instruments (continued)

	At October 31, 2020 Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Cash	59,311,553	-	-	59,311,553
Forward and option contract assets	-	92,447	-	92,447
Total Assets	**59,311,553**	**92,447**	**-**	**59,404,000**
Financial liabilities				
Contingent consideration			703,560	
Total liabilities	**-**	**-**	**703,560**	**-**

	At October 31, 2019 Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Cash	62,873,873	-	-	62,873,873
Forward and option contract assets	-	1,735	-	1,735
Total Assets	**62,873,873**	**1,735**	**-**	**62,875,608**

The long-term contingent consideration total was reduced by $23,419 (CAD31,391) at October 31, 2020 due to a change in estimate related to the discount rate applied at the date of acquisition, July 29, 2020. (see Note 5).

Cash (Level 1)

The Company's cash balances consisting of local and foreign currency notes held in tills, vaults, bank accounts, and in transit are based upon foreign exchange rates quoted in active markets as of October 31, 2020 and October 31, 2019.

Forward and option contract positions (Level 2)

The Company's forward contract positions are not traded in active markets. The fair value of these instruments has been determined using observable forward exchange rates. The effects of non-observable inputs are not significant for foreign contract positions.

Contingent consideration (Level 3)

The fair value of contingent consideration, related to the DFG business combination described in Note 5, is estimated based on the amount of revenue generated from the acquired customer trading relationships. The significant input for the fair value estimate is management's estimate of revenues from acquired customers to continue transacting with the Company. For information about the sensitivity of the fair value measurement to the changes in the input at October 31, 2020 (see Note 5). The fair value estimate of cash outflows is $2,730,528 at October 31, 2020. This reflects management's best estimate of a retention rate of key acquired customers in year 1 and in year 2.

15. Fair Value Measurement of Financial Instruments (continued)

Due to their short-term nature, the carrying value of the following financial instruments approximates their fair value at the balance sheet date:

- Accounts receivable;
- Restricted cash held in escrow;
- Accounts payable and accrued expenses;
- Lines of credit; and
- Contract liability

16. Risk Management

The Company's activities expose it to a variety of financial risks: credit risk, foreign currency risk, interest rate risk, and liquidity risk. The Company's risk management policies are designed to minimize the potential adverse effects on the Company's financial performance.

Financial risk management is carried out by the Chief Financial Officer ("**CFO**") under policies approved by senior management and the Board of Directors. Policies are in place to evaluate and monitor risk and in some cases, prescribe that the Company hedge its financial risks.

The analysis below presents information about the Company's exposure to each of these financial risks arising from financial instruments and the Company's objectives, policies and processes for measuring and managing these risks.

Credit Risk

Credit risk is the risk of financial loss associated with 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 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. Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods. They are lower than normal at October 31, 2020 due to the reduction in activity caused by the pandemic. The company has longstanding relationships with most of its money service business customers and has a strong repayment history, with one exception (see Note 24).

For the purpose of risk control, the customers are grouped as follows: domestic and international banks, money service businesses, and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance. These limits are reviewed regularly by senior management.

(Expressed in U.S. Dollars)

16. Risk Management (continued)

A breakdown of accounts receivable by category is below:

	At October 31, 2020	At October 31, 2019
Customer type	**$**	**$**
Domestic and international banks	2,923,202	2,575,497
Money service businesses	846,168	7,274,152
Other	2,141,993	693,603
Total	**5,911,363**	**10,543,252**

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 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 October 31, 2020 was approximately $6,010,000 (October 31, 2019 - $6,860,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately $4,672,000 (October 31, 2019- $5,464,000). 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 +$93,000/-$93,000 (October 31, 2019 gain/loss of approximately +$109,000/-$109,000).

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 October 31, 2020, the Company had access to interest bearing financial instruments in cash, short term accounts payable and 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

(Expressed in U.S. Dollars)

16. Risk Management (continued)

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.

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 year ended October 31, 2020 would have been approximately +$19,500/-$19,500 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 CFO 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. Management has assessed the Company’s cash position at October 31, 2020 and determined that it is sufficient to meet its financial obligations despite the reduction in revenue related to COVID-19.

The following are non-derivative contractual financial liabilities:

	At October 31, 2020			
Non-derivative financial liabilities	**Carrying amount**	**Estimated contractual amount**	**This fiscal year**	**Future fiscal years**
	$	**$**	**$**	**$**
Accounts payable	14,690,553	14,690,553	14,690,553	$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

	At October 31, 2019			
Non-derivative financial liabilities	**Carrying amount**	**Estimated contractual amount**	**Next fiscal year**	**Future fiscal years**
	$	**$**	**$**	**$**
Accounts payable	12,583,741	12,583,741	12,583,741	$Nil
Line of credit	472,736	472,736	472,736	$Nil
Accrued expenses	2,767,711	2,437,831	2,437,831	$Nil
Contract liability	266,392	266,392	$Nil	266,392

The Company had available unused lines of credit amounting to $22,701,303 at October 31, 2020 (October 31, 2019 - $24,086,534).

(Expressed in U.S. Dollars)

16. Risk Management (continued)

Capital Management

The Company manages capital through its financial and operational forecasting processes. The Company defines working capital as total current assets less 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 October 31, 2020	At October 31, 2019
Current assets	71,219,313	75,333,620
Current liabilities	(23,463,619)	(16,400,679)
Working capital	**47,755,694**	**58,932,941**

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.

17. Foreign Currency Forward and Option Contracts

The Company enters into foreign currency forward and purchase put option contracts 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 commission revenues on the consolidated statements of operations and other 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. The foreign currency option contracts are held to maturity and are either exercised for a net gain or expire at no obligation to the Company.

The fair value of forward and option contracts, which represents the amount that would be received/(paid) by the Company if the forward contracts were terminated at October 31, 2020 was $92,447 (October 31, 2019 - $1,735).

At October 31, 2020 the Company had cash collateral balances related to forward contracts being held of $1,461,747 (October 31, 2019 - $644,657). They are reflected as restricted cash held in escrow in the consolidated statements of financial position (see Note 8).

(Expressed in U.S. Dollars)

18. Equity

Share Capital

The authorized share capital consists of 100,000,000 common shares. The common shares have a par value of $1.00. The options exercised during the current and prior periods are summarized as follows:

Period Exercised	Number of shares	USD value
Q1 2019	6,424	63,272
Q2 2019	-	-
Q3 2019	-	-
Q4 2019	845	61,316
Q1 2020	-	-
Q2 2020	-	-
Q3 2020	-	-
Q4 2020	-	-

Stock options

The Company offers an incentive stock option plan which was established 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 for management under the Plan 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 directors under the plan will occur equally on a quarterly basis in the first year after the grant. All the options have a five-year term, unless otherwise specified by the Board of Directors.

The outstanding options at October 31, 2020 and the respective changes during the periods are summarized as follows:

	Number of options	Weighted average price
	#	**CAD$**
Outstanding at October 31, 2019	708,366	22.52
Granted	370,307	10.98
Exercised	-	-
Forfeited/Cancelled/Expired	(345,870)	29.14
Outstanding at October 31, 2020	732,803	14.01

(Expressed in U.S. Dollars)

18. Equity (continued)

The following options are outstanding and exercisable at October 31, 2020:

Grant Date	Exercise price (CAD$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
6-Jun-17	21.53	5,586	1.60	5,586
9-Aug-18	30.69	2,500	2.77	-
23-Jan-19	28.23	4,127	3.23	1,35
4-Mar-19	25.83	13,316	3.34	4,439
23-Oct-19	17.36	30,000	3.34	10,000
6-Apr-19	17.36	5,837	3.59	5,837
23-Oct-19	17.36	72,376	3.98	72,376
23-Oct-19	17.36	228,754	3.98	76,251
24-Jun-20	12.74	22,369	4.65	22,369
24-Jun-20	12.74	7,586	4.65	-
29-Jul-20	10.83	18,000	4.75	18,000
29-Oct-20	10.00	322,352	10.00	-
Total		732,803		216,233

The October 23, 2019 grant of 228,754 options was made outside of the Company's stock option plan, and in accordance with the policies of TSX and was approved by the shareholders on March 25, 2020.

On June 24, 2020 grants totaling 22,369 options were made to several officers of the Company that voluntarily reduced their salaries from June 1, 2020 through August 31, 2020. The options were fully vested on the date of grant, and the amount of the stock-based compensation recorded is equivalent to the gross salary that was forfeited by the officers.

On July 29, 2020, the Company offered an option replacement program whereby holders of certain "underwater" options were given a limited opportunity to surrender for cancelation such options and receive as a compensation a significantly lower number of new options (the" Replacement Program"). The Replacement Program only applied to options granted to officers and directors on October 26, 2016, October 26, 2017, August 9, 2018 and October 23, 2018 who remained employed by the Company on the date that the Replacement Program was offered. Participants in the Replacement Program are eligible to receive one new option under the Company's stock option plan in exchange for every eight options tendered for cancelation. The replacement options may not be granted until 90 days has passed since the cancellation of the options tendered for cancelation and must have an exercise price equivalent to the fair market value of the common shares at the date of grant. All of the eligible option holders elected to participate in the Replacement Program. As a result, 241,463 options to purchase common shares were cancelled on July 31, 2020 and 19,450 options were cancelled on September 28, 2020. A grant of 30,182 replacement options was issued on October 29, 2020 related to the options that were canceled on July 31, 2020. The Company recorded expenses of $113,740 related to the Replacement Program in the year ending October 31, 2020.

On October 29, 2020, 322,352 options were granted to officers and directors which have a weighted average exercise price of CAD10.83 and an expiry date of 10 years from the date of grant. At October 31, 2020, 75,810 options granted to officers on October 30, 2015 expired. No options were exercised prior to expiration.

(Expressed in U.S. Dollars)

19. (Loss) earnings per Share

The calculation of earnings per share is presented below. Diluted earnings per share for the year ended October 31, 2020 include all stock option grants with the exception of the options granted October 30, 2015, March 11, 2016, October 26, 2016, June 6, 2017, October 26, 2017, August 9, 2018, October 23, 2018, January 23, 2019, March 4, 2019, and October 23, 2019 as the strike price exceeded the average stock price for the period.

	Year ending	
	October 31, 2020	**October 31, 2019**
Basic		
Net (loss) income	($8,524,029)	$2,924,720
Weighted average number of shares outstanding	6,414,936	6,412,593
Basic earnings (loss) per share	($1.33)	$0.46
Diluted		
Net (loss) income	($8,524,029)	$2,924,720
Weighted average number of shares outstanding	6,414,936	6,415,629
Diluted earnings (loss) per share	($1.33)	$0.46

20. Operating Expenses

The table below identifies the composition of the nature and amounts included within the operating expenses presented on the Statement of Operations for the years ending October 31, 2020 and 2019.

	Year ending	
	October 31, 2020	**October 31, 2019**
	$	$
Salaries and benefits	16,866,772	18,298,892
Rent	1,152,141	3,780,465
Legal and professional	2,824,561	2,930,426
Postage and shipping	2,373,942	5,094,817
Stock based compensation	1,005,903	743,391
Travel and entertainment	386,739	702,207
Bank service charges	1,234,725	856,589
Software maintenance	1,330,994	1,119,280
Losses and shortages	276,556	426,385
Insurance	497,701	440,493
Other general and administrative	1,049,180	1,239,058
Operating expenses	**28,999,214**	**35,632,001**

Rent expense was impacted by the adoption to IFRS 16 under the modified retrospective approach on November 1, 2019 and is not directly comparable to the year ended October 31, 2020 (see Note 3).

(Expressed in U.S. Dollars)

21. Restructuring Expenses and Impairment Loss

The COVID-19 pandemic crisis and measures enacted to curtail the effects of COVID-19 have posed significant challenges to the Company and has brought uncertainties for the business. The Company has enacted several measures in response to the pandemic to reduce costs and maintain liquidity. These measures have been comprised of a number of restructuring actions, including the permanent closure of 11 of its retail branch locations, reduced operating hours at its remaining branches, the elimination of 106 employment positions since the beginning of the pandemic, including a consolidation of certain management positions. As a result, the Company has recognized restructuring expenses and impairment loss of $1,072,472 in the year-ended October 31, 2020, (2019 - $Nil), which are included in the consolidated statement of operations. These expenses represent both obligations incurred as a result of specific actions taken in addition to impairment charges on tangible, intangible and right-of-use assets that have been impaired as a result of the actions taken and/or the impact of the pandemic. Some of the amounts measured involve management estimates (see Notes 2,3,4,9,11 and 13).

The significant elements of the restructuring expense are identified in the table below.

	October 31, 2020
Rent related to periods subsequent to closure	172,774
Lease impairment	222,039
Impairment of property and equipment assets	120,926
Operating expense	42,747
Termination benefits	365,078
Loss on disposal of asset	13,757
Loss on lease termination	135,151
Total restructuring expense and impairment loss	**1,072,472**

At October 31, 2020 the Company recorded $172,774 related to future rent expense and $222,039 in impairment charges on right-of-use assets for 4 retail branch locations that were closed or in the process of closing as well as 2 leases for certain office space that were determined to be surplus at October 31, 2020. In addition, impairment charges were recognized on property and equipment assets related to these leases, primarily leasehold improvements, of $120,926. The Company also recorded $42,747 in operating expenses associated with the closures. Termination benefits relates to employees that were severed as part of the restructuring.

22. Compensation of Key Management Personnel and Related Party Transactions

In accordance with IAS 24 *Related Party Disclosures*, key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and other members of key management personnel during the year ended October 31, 2020 and 2019 was as follows:

	Year ending	
	October 31, 2020	October 31, 2019
	$	$
Short-term benefits	2,824,853	2,535,331
Post-employment benefits	72,710	99,795
Stock based compensation	1,005,912	706,831
	3,903,475	3,341,957

(Expressed in U.S. Dollars)

22. Compensation of Key Management Personnel and Related Party Transactions (continued)

The Company incurred legal and professional fees in the aggregate of $211,000 for the year ended October 31, 2020 (2019 - $299,000) 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 $59,000 in revenue from these clients' activities for the twelve-month period ended October 31, 2020 (2019 – $130,000). As at October 31, 2020, accounts receivable included $189,000 from related parties (2019 - $228,000).

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 interim 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 October 31, 2020, the intercompany loan balance was $8,565,000 (October 31, 2019 - $11,250,000) 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.

23. Other Current Assets

	At October 31, 2020	At October 31, 2019
	$	$
Prepaid rent	248,682	296,102
Prepaid personnel	53,494	-
Prepaid computer software	101,786	175,517
Prepaid insurance	86,286	315,992
Prepaid advertising	20,833	20,833
Other current assets	599,731	461,659
Total	1,110,812	1,270,103

24. Loss provision and contingent liability

A wholesale customer of the Company that owed money filed a Notice of Intention to Make a Proposal to its creditors under the Bankruptcy and Insolvency Act (Canada) ("BIA") on April 30, 2020. At April 30, 2020 the Company recorded a loss provision of $1,012,946 for amounts owed to it by the customer. Such customer subsequently failed to make a proposal to its creditors and was automatically placed into Bankruptcy on June 30, 2020, resulting in the Company becoming an unsecured creditor of the bankrupt customer's estate. Subsequent to September 9, 2020 the Trustee in Bankruptcy has claimed that three payments that the customer made to the Company in April 2020 that total $1,000,000 were made within 90

24. Loss provision and contingent liability (continued)

days of the date of bankruptcy, and therefore were preferential, in contravention of the BIA. At October 31, 2020 the Company has recorded an additional provision of $675,000 as a reasonable estimate of the expected future cash outflows with respect to this customer’s bankruptcy. As at January 27, 2021, no legal action has been commenced by the Trustee.

25. Subsequent events

The Company evaluated subsequent events through January 27, 2021 the date these consolidated financial statements were issued.

On November 1, 2020 the Company offered 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, the Restricted Stock Unit “RSU” and Deferred Stock Unit “DSU” awards made total of $388,000 and $220,000 respectively.
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On January 25, 2021, the Bank extinguished its revolving line of credit with Bank of Montreal. In its place, the Bank established a fully collateralized revolving line of credit with Desjardins (see Note 14).

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

Board of Directors

Joseph August

Director of CXI
Director of EBC
Committees: Governance Committee Member, Risk Committee Member
Independent board member since 2011

Chirag Bhavsar

Chair of the Board of CXI
Director of EBC
Committees: Audit & Conduct Review Committee Member, Governance Committee Member, Risk Committee Member
Independent board member since 2012

Johanne Brossard

Director of CXI
Director of EBC
Committees: Chair of the Governance Committee, Risk Committee Member
Independent board member since 2018

Chitwant Kohli

Director of CXI
Chair of the Board of EBC
Committees: Chair of the Audit & Conduct Review Committee, Risk Committee Member
Independent board member since 2018

Stacey Mowbray

Director of CXI
Director of EBC
Committees: Audit & Conduct Review Committee Member, Governance Committee Member
Independent board member since 2019

Mark D. Mickleborough

Director of CXI
Director of EBC
Board member since 2007

Randolph W. Pinna

Director of CXI
Director of EBC
President and CEO of CXI
President and CEO of EBC
Board member since 2007

V. James Sardo

Director of CXI
Director of EBC
Committees: Audit & Conduct Review Committee Member, Governance Committee Member
Independent board member since 2012

Daryl Yeo

Director of CXI
Director of EBC
Committees: Chair of the Risk Committee, Audit & Conduct Review Committee Member
Independent board member since 2019

Shareholder Information

Annual Meeting of Shareholders

Shareholders are invited to attend the virtual annual meeting of Currency Exchange International, Corp. to be held on March 17, 2021 at 12:00 p.m. (EST).

Details on how to attend via webcast or telephone will be listed on CXI's investor relations webpage: www.ceifx.com/investor-relations

Investor Relations

Financial Analysts, portfolio managers and other investors requiring financial information may contact our Investor Relations' departments:

(USA) Telephone: (407) 240 0224
(USA) Toll-Free: (888) 998 3948
(USA) Email: InvestorRelations@ceifx.com
(CANADA) Telephone: (416) 479 9547
(CANADA) Email: bill.mitoulas@ceifx.com

Shareholder Services

For information or assistance regarding your share account, including dividends, changes of address or ownership, lost certificates, to eliminate duplicate mailings or to receive shareholder material electronically, please contact our Transfer Agents in Canada.

Transfer Agent

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Licensed Professional Accountants
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