CURRENCY EXCHANGE INTERNATIONAL, CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-AND SIX-MONTH PERIODS ENDED APRIL 30, 2020 AND 2019

CURRENCY EXCHANGE
INTERNATIONAL

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 (the "**Company,**" or "**CXI**") for the three-and six-months ended April 30, 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 June 11, 2020 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 three-and six- month periods ended April 30, 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, 2019. 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 condensed interim consolidated financial statements and the MD&A have been reviewed by the Company's Audit Committee and approved by its Board of Directors.

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

Additional Information

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

Forward Looking Statements

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

Forward-looking information	Assumptions	Risk factors
Sensitivity analyses relating to foreign currencies and interest rates	All factors other than the variable in question remain unchanged; CXI’s entire unhedged balance of foreign currency holdings is affected uniformly by changes in exchange rates; CXI’s interest-bearing instruments and obligations were constant during the period	Exchange rate and interest rate fluctuations

Inherent in forward-looking information are risks, uncertainties and other factors beyond the Company’s ability to predict or control. Please also make reference to those risk factors referenced in the “Risk Factors” section beginning on page 15. 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 167 on furlough, CXI had 360 employees at April 30, 2020, of which 131 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 is comprised of the spread between the cost and selling price of foreign currency products, including bank notes, wire transmissions, cheque collections and draft issuances and the revaluation of 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 is comprised of the following:

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

ii. Fees collected on foreign wire transfers, foreign drafts, and foreign cheque collection transactions.

Overview (continued)

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

The Company operates four main vaults 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;

iii. CXI and EBC currently maintain inventory in the form of domestic and foreign bank notes in financial institutions and other high traffic locations. These locations can be very profitable as there are no occupancy costs or payroll. Foreign exchange currency is placed in these locations on a consignment basis. At April 30, 2020, the Company had inventory on consignment in 720 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; and

iv. The Company operates 46 branch locations which are located in high tourist traffic areas, staffed by CXI employees, and located across the United States. 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. 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 at June 11, 2020, 17 retail branch locations have reopened and 29 remain closed;

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

Overview (continued)

The Company has steadily grown its branch network 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 46 branch locations (note: all locations were closed at April 30, 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
Beverly Center	Los Angeles	CA	2018	Queens Center	New York	NY	2017
Century City Mall	Los Angeles	CA	2009	Riverwalk	New Orleans	LA	2018
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	Sawgrass Mills Mall Booth #2	Sunrise	FL	2010
Fashion District	Philadelphia	PA	2019	Shops at Northbridge	Chicago	IL	2013
Florida Mall Booth #1	Orlando	FL	2007	SouthCenter	Tukwila	WA	2012
Florida Mall Booth #2	Orlando	FL	2014	Stamford Town Center	Stamford	CN	2018
Garden State Plaza	Paramus	NJ	2015	Sunvalley Shopping Center	Concord	CA	2015
Glendale Galleria	Glendale	CA	2016	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	Washington Square Mall	Portland	OR	2017

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	Q1 2019	Q2 2019	Q1 2020	Q2 2020
Company owned branch locations	36	38	41	43	46	44	44	46	46
Wholesale company relationships*	556	927	954	1,267	1,878	921	1,057	1,511	1,503
Number of transacting locations*	9,494	11,975	14,587	17,017	21,595	11,527	13,270	14,068	12,499

*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. However, on April 29, 2020 one of the Company's wholesale customers filed for bankruptcy, resulting in a provision for loss in the amount of $1,012,946. The Company has filed a claim and expects to recover a portion of the debt, but has chosen to reserve for the entire amount until such time as any amount recoverable becomes probable.

(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 (loss) income $	Net (loss) income $	Total assets $	Total equity $	Earnings (loss) per share (diluted) $
4/30/2020	6,323,344	(2,316,356)	(2,942,948)	99,263,039	62,965,874	(0.46)
1/31/2020	9,874,289	1,162,930	159,274	108,319,219	66,323,630	0.02
10/31/2019	11,469,079	1,863,442	769,393	82,729,714	66,329,035	0.13
7/31/2019	12,402,484	2,935,899	1,820,768	81,719,233	65,447,949	0.28
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)
10/31/2018	10,270,234	1,724,576	995,967	73,267,274	62,721,937	0.17
7/31/2018	11,537,280	3,533,642	2,407,522	86,860,274	61,629,104	0.37

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 until September and lower revenues 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 (WHO) officially declared COVID-19, the disease caused by a novel coronavirus, 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. The Company closed all of its retail locations on or around March 24, 2020, and they continued to be closed at April 30, 2020 with most of the retail employees furloughed. In addition, many of its commercial customers have been impacted by the pandemic, resulting in reduced demand for banknotes. While the Company continues to operate, it is not possible to reliably estimate the duration and severity of these consequences as well as their impact on the financial position and results of future periods.

Selected Financial Results for the three-and six-month periods ended April 30, 2020 and 2019

The Company had a strong start to its fiscal year prior to the government-imposed shutdowns in March related to COVID-19. Despite a significant decrease in revenue in April, the Canadian region managed an increase in revenue of 30% for the six months ended April 30, 2020 as EBC continued to grow its trading volume and customer base. The USA region decreased 17% over the same period in the prior year as the entire retail branch network closed on or around March 24th, 2020 and wholesale customers reduced operations in response to the pandemic. Since April 30, 2019, the Company has added 588 new customer relationships comprising 2,837 locations, of which 553 relationships representing 2,766 transacting locations were added in the United States and 35 relationships representing 71 locations were added in Canada.

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

Selected Financial Results for the three-and six-month periods ended April 30, 2020 and 2019 (continued)

During the six-month period ended April 30, 2020, the number of transactions between the Company and its customers decreased 20% to 396,000 transactions from 494,000 for the same period in the previous year. During the three-month period ended April 30, 2020, the number of transactions between the Company and its customers decreased 51% to 132,000 transactions from 267,000 for the same period in the previous year. By line of business, Payments increased 25% or $329,058 over the prior year, and banknotes decreased by 12% or $2,043,905. In response to the significant economic contraction, the Company has enacted a number of cost-saving initiatives that include reductions in discretionary spending, the elimination of eleven employment positions in April 2020, and a freeze on hiring with the exception of strategically important roles. In addition, due to the uncertain economic environment, the Company has reduced credit limits to limit its settlement exposure and increased more frequent credit monitoring of its customer base. CXI has a strong capital base and liquidity position to meet its financial obligations for at least the next twelve months, however, management is developing a new three-year plan with the objective of ensuring the Company's long-term sustainability.

	Six-months ended April 30, 2020 $	Six-months ended April 30, 2019 $	Three-months ended April 30, 2020 $	Three-months ended April 30, 2019 $
Revenue	16,197,633	17,912,480	6,323,344	9,460,809
Operating expenses	17,351,059	16,559,778	8,639,700	8,379,517
Net Operating income	(1,153,426)	1,352,702	(2,316,356)	1,081,292
Total other income	8,882	7,720	3,014	4,285
EBITDA*	(1,144,544)	1,360,422	(2,313,342)	1,085,577
Net (loss) income	(2,783,676)	334,557	(2,942,948)	507,370
Basic (loss) earnings per share	(0.43)	0.05	(0.46)	0.08
Diluted (loss)earnings per share	(0.43)	0.05	(0.46)	0.08

* Earnings before interest, taxes, depreciation and amortization

	April 30, 2020	October 31, 2019
Total assets	99,263,039	82,729,716
Total long-term financial liabilities	4,123,099	-
Total equity	62,965,874	66,329,037

Results of operations – six-month periods ended April 30, 2020 and 2019

A breakdown of revenue by geographic location is presented below:

	Six-months ended April 30, 2020 $	Six-months ended April 30, 2019 $	Change $	Change %
Revenues by Geography				
United States	12,357,811	14,953,258	(2,595,447)	-17%
Canada	3,839,822	2,959,222	880,600	30%
Total	16,197,633	17,912,480	(1,714,847)	-10%
Revenues by Product Line				
Banknotes	14,565,138	16,609,043	(2,043,905)	-12%
Payments	1,632,495	1,303,437	329,058	25%
Total	16,197,633	17,912,480	(1,714,847)	-10%

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

Results of operations – six-month periods ended April 30, 2020 and 2019 (continued)

During the six-month period ended April 30, 2020, operating expenses increased 5% to $17,351,059 compared to 16,559,778 for the six-month period ended April 30, 2019. Normalizing for the impact of IFRS 16, which was implemented on November 1, 2019 using the modified retrospective approach, operating expenses would have increased by 12% to $18,533,707. The major components of operating expenses are presented in the table below, with commentary for significant variances:

	Six-months ended April 30, 2020 $	Six-months ended April 30, 2019 $	Change $	Change %
Salaries and benefits	9,601,119	8,901,073	700,046	8%
Rent	759,985	1,814,417	(1,054,432)	-58%
Legal and professional	1,209,834	1,370,173	(160,339)	-12%
Postage and shipping	1,785,487	2,100,630	(315,143)	-15%
Stock based compensation	498,263	314,339	183,924	59%
Travel and entertainment	304,350	332,279	(27,929)	-8%
Bank service charges	604,766	372,698	232,068	62%
Software maintenance	696,780	533,787	162,993	31%
Losses and shortages	195,692	101,373	94,319	93%
Insurance	219,596	226,437	(6,841)	-3%
Bad Debt Expense	1,012,946	-	1,012,946	100%
Other general and administrative	462,241	492,572	(30,331)	-6%
Operating expenses	17,351,059	16,559,778	791,281	5%

Salaries and benefits increased 8% to $9,601,119 from $8,901,073 which is primarily attributed to a 10% increase in the Company's employment base since April 30, 2019, prior to the impact of 19 positions eliminated and the furlough of 167 employees near the end of Q2 2020. The increase in staffing was a result of the hiring of employees engaged in the areas of compliance, risk management, information technology, payments, operations, vault operations and sales as well as adding 2 company owned branch locations. Subsequent to April 30, 2020, an additional 22 positions have been eliminated;

Rent expense decreased 58% to $759,985 from $1,814,417. This decrease is attributable to the adoption of IFRS 16 on November 1, 2019. Had the new accounting standard not been implemented, rent expense would have increased 7% to $1,942,632 from $1,814,417 which is due to the addition of 2 new retail branch locations as well as general increases year over year;

Legal and professional fees decreased 12% to $1,209,834 from $1,370,173. This includes fees incurred for external advisors in various professional practice areas of law, accounting, audit, tax, risk, compliance and consulting. The decrease is due to a reduction in discretionary or project-related spending;

Postage and shipping decreased 12% to $1,785,487 from $2,100,630 and is primarily a result of decreased revenue in Q2 2020 as a result of government-imposed shutdowns related to COVID-19;

Stock based compensation increased 59% to $498,263 from $314,339 as there were a higher number of stock options outstanding compared to the prior year. The increase is largely due to the granting of 354,410 options on October 23, 2019. Of these options, 228,754 were granted outside of the Company's stock option plan and approved by the shareholders on March 25, 2020. The options have an expiry date of 5 years from the date of the grant, unless otherwise stated by the Board of Directors, and have a weighted average exercise price of Cdn$22.93. There were 708,366 options outstanding at April 30, 2020 compared to 399,100 options outstanding at April 30, 2019;

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

Results of operations – six-month periods ended April 30, 2020 and 2019 (continued)

Bank service charges increased 62% to $604,766 from $372,698. 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;

Software maintenance expense increased 31% to $696,780 from $533,787, reflecting the adoption of additional technology platforms over the past year to support various functions, including treasury, compliance, finance, and payments, plus the eZforex platform acquired on September 6, 2019. It also includes additional investment in collaboration and communication tools, such as Zoom, as well as the investment in cyber security technology.;

Losses and shortages increased 93% to $195,692 from $101,373. This represents amounts that are lost in transit, theft or errors in processing by the vaults. Normalizing for one particular adjustment in the amount of $57,515, the loss activity is within acceptable tolerances.

Bad debt expense of $1,012,946 represents a provision recorded against a receivable from a wholesale customer that filed for bankruptcy protection on April 29, 2020. The Company has filed a claim and expects to recover at least a portion of the debt, but has chosen to reserve all of it until such recovery becomes probable.

Other general and administrative expenses decreased 6% to $462,241 from $492,572. Other expenses are comprised of licenses and fees, utilities, office supplies, foreign exchange gain and losses, and other general and administrative expenses. The principal reasons for the decrease of $36,320 was a $184,085 increase in foreign exchange gains on the translation of foreign denominated balances. This was partially offset by an increase of $86,840 in license and fees as the Company changed its capitalization policy to expense all items below $3,000 effective November 1, 2019. Previously, any amount over $500 was capitalized and amortized. As most license renewals for the retail locations occur early in the calendaryear, the variance is expected to diminish over the remainder of the fiscal year. Also, there was a $53,565 increase in office supplies.

The ratio of operating expenses to total revenue for six-month period ended April 30, 2020 was 107% (excluding the reduction in operating expenses related to the adoption of IFRS 16, this ratio would have been 114%) compared to 92% for the six-month period ended April 30, 2019, reflecting the significant reduction in revenue due to COVID-19 impacts. As the business recovers, the Company expects to increase its operating efficiency through the addition of new bank and non-bank financial institutions in Canada and the United States onto its wholesale and payments platforms.

Other income and expenses are comprised of the following:

	Six-months ended April 30, 2020 $	**Six-months ended April 30, 2019 $**
Other income	8,882	7,720
Interest expense	(287,305)	(186,875)
Interest on lease liabilities	(144,760)	
Depreciation and amortization	(770,481)	(735,455)
Depreciation of right-of-use-assets	(1,036,457)	-
Income tax benefit (expense)	599,871	(103,535)
Total other expense	(1,630,250)	(1,018,145)

Other income increased to $8,882 from $7,720 and relates to interest collected for surplus cash deposits held at various financial institutions in Canada and the United States as well as a small gain from the sale of an asset in the three-month period ending January 31, 2019;

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

Results of operations – six-month periods ended April 30, 2020 and 2019 (continued)

Interest expense increased to $287,305 from $186,875, primarily as a result of a higher borrowing base over the prior year. The Company increased its borrowing on credit facilities in mid-March 2020 in response to the pandemic, to provide a high amount of liquidity.

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 $770,481 from $735,455 primarily driven by the addition of new assets acquired in the twelve-month period ending April 30, 2020, the most significant of which are $2,670,000 in identifiable intangible assets related to the acquisition of eZForex.com on September 6, 2019 (*see note 5 in the 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.

Income tax benefit of $599,871 compares to an expense of $103,535 for the six-month period ended April 30, 2019 and is reflective of the change from a profit to a loss position. The income tax benefit would have been higher by $396,859 but for the fact that the Company has not recorded a benefit related to losses in its Canadian subsidiary, as those losses will require future taxable income in order for a benefit to be realized, the probability of which is difficult to ascertain at April 30, 2020. The income tax benefit also includes the initial recognition of a deferred tax asset of $173,447 arising from the adoption of IFRS 16. This is offset by other temporary differences related to property, plant and equipment and intangibles of $49,484.

To assist in understanding the impact of IFRS 16 on the financial statements, and for comparability purposes, the following table depicts the adjustments necessary to present select financial information for the six-month period ended April 30, 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	5,209,408	(5,209,408)	-
Deferred Tax Asset	1,129,423	(171,264)	958,158
Total Assets	**99,263,039**	**(5,380,673)**	**93,882,367**
Accrued Expenses *(relates to deferred rent)*	1,471,465	259,323	1,730,788
Current Lease Liabilities	1,757,868	(1,757,868)	-
Long-Term Lease Liabilities	4,110,602	(4,110,602)	-
Total Lease Liabilities	5,868,470	(5,868,470)	-
Total Liabilities	36,297,165	(5,609,147)	30,688,018
Retained Earnings	27,587,473	165,676	27,753,149
Total Equity	62,965,874	165,676	63,131,550
Total Liabilities and Equity	**99,263,039**	**(5,443,471)**	**93,819,568**

	As Reported (IFRS 16)	**IFRS 16 Adjustments**	**Proforma (IAS 17)**
Select data from the Statement of Operations:			
Total Revenue	**16,197,633**	-	**16,197,633**
Rent Expense	759,985	1,182,647	1,942,632
Total Operating Expenses	17,351,059	1,182,647	18,533,707
EBITDA	**(1,144,544)**	**(1,182,647)**	**(2,327,191)**
Interest on lease liabilities	144,760	(144,760)	-
Depreciation on right-of-use assets	1,036,457	(1,036,457)	-
Income before tax	**(3,383,545)**	**(1,431)**	**(3,384,976)**
Income Tax Expense (Benefit)	(599,871)	171,264	(428,607)
Net Income	**(2,783,674)**	**(172,696)**	**(2,956,369)**

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

Results of operations – three-month periods ended April 30, 2020 and 2019

A breakdown of revenues by geographic location is presented below:

	Three-months ended April 30, 2020 $	Three-months ended April 30, 2019 $	Change $	Change %
Revenues by Geography				
United States	4,356,771	7,940,808	(3,584,038)	-45%
Canada	1,966,573	1,520,001	446,573	29%
Total	6,323,344	9,460,809	(3,137,465)	-33%
Revenues by Product Line				
Banknotes	5,594,189	8,726,210	(3,132,021)	-36%
Payments	729,155	734,599	(5,443)	-1%
Total	6,323,344	9,460,809	(3,137,465)	-33%

During the three-month period ended April 30, 2020, operating expenses increased 3% to $8,639,700 compared to 8,379,517 for the three-month period ended April 30, 2019. Normalizing for the impact of IFRS 16, which was implemented on November 1, 2019 using the modified retrospective approach, operating expenses would have increased by 11% to $9,286,209.

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

	Three-months ended April 30, 2020 $	Three-months ended April 30, 2019 $	Change $	Change %
Salaries and benefits	4,702,598	4,332,553	370,046	9%
Rent	354,492	928,768	(574,276)	-62%
Legal and professional	499,604	639,869	(140,265)	-22%
Postage and shipping	806,535	1,220,692	(414,157)	-34%
Stock based compensation	240,790	200,963	39,827	20%
Travel and entertainment	109,521	149,377	(39,856)	-27%
Bank service charges	324,195	201,069	123,126	61%
Software maintenance	379,793	246,795	132,996	54%
Losses and shortages	57,671	72,567	(14,896)	-21%
Insurance	115,237	109,411	5,826	5%
Bad Debt Expense	1,012,946	-	1,012,946	100%
Other general and administrative	36,320	277,453	(241,133)	-87%
Operating expenses	8,639,700	8,379,517	260,183	3%

Salaries and benefits increased 9% to $4,702,598 from $4,332,553 which is largely attributed to a 10% increase in the Company's employment base between April 30, 2019 and February 1, 2020. During Q2 2020, 19 positions were eliminated and an additional 167 employees were furloughed at the end of the quarter. The increase in staffing was a result of the hiring of employees engaged in the areas of compliance, risk management, information technology, payments, operations, vault operations and sales as well as adding 2 company owned branch locations. Subsequent to April 30, 2020, an additional 22 positions have been eliminated;

Rent expense decreased 62% to $354,492 from $928,768. 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 increased 8% to $1,001,001 in the three-months ending April 30, 2020 from $928,768 in the prior year, which is due to the addition of 2 new retail branch locations as well as general increases year over year;

Results of operations – three-month periods ended April 30, 2020 and 2019 (continued)

Legal and professional fees decreased 22% to $499,604 from $639,869. This includes fees incurred for external advisors in various professional practice areas of law, accounting, audit, tax, risk, compliance and consulting. The decrease is due to a reduction in discretionary or project-related spending;

Postage and shipping decreased 34% to $806,535 from $1,220,692 primarily driven by the decrease in revenue associated with the impact of COVID-19 discussed above. Shipping fees collected by the Company are netted against shipping charges charged to the Company;

Stock based compensation increased 20% to $240,790 from $200,963 as there were a higher number of stock options outstanding compared to the prior year. The increase is largely due to the granting of 354,410 options on October 23, 2019. Of these options, 228,754 were made outside of the Company's stock option plan and were approved by shareholders on March 25, 2020. The options have an expiry date of 5 years from the date of the grant, unless otherwise stated by the Board of Directors, and have a weighted average exercise price of Cdn$22.93. There were 708,366 options outstanding at April 30, 2020 compared to 399,100 options outstanding at April 30, 2019;

Travel and entertainment decreased 27% to $109,521 from $149,377 as business travel ceased following the implementation of government-imposed shutdowns commencing mid-March 2020;

Bank service charges increased 61% to $324,195 from $201,069. 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;

Software maintenance expense increased to $379,793 from $246,795, reflecting the adoption of additional technology platforms over the past year to support various functions, including treasury, compliance, finance, and payments plus the eZforex platform acquired on September 6, 2019. It also includes additional investment in collaboration and communication tools, such as Zoom, as well as the investment in cyber security technology;

Bad debt expense of $1,012,946 represents a provision recorded against a receivable from a wholesale customer that filed for bankruptcy protection on April 29, 2020. The Company has filed a claim and expects to recover at least a portion of the debt, but has chosen to reserve all of it until such recovery becomes probable.

Other general and administrative expenses decreased to $36,320 from $277,453. Other expenses are comprised of licenses and fees, utilities, office supplies, foreign exchange gain and losses, and other general and administrative expenses. The principal reason for the decrease of $241,133 was a $283,393 increase in foreign exchange gains on the translation of foreign denominated balances during the quarter. This was partially offset by an increase in license and fees of $40,946 as the Company changed its capitalization policy to expense all items below $3,000 effective November 1, 2019. Previously, any amount over $500 was capitalized and amortized. As most license renewals occur early in the fiscal year the variance will diminish over the remainder of the fiscal year.

The ratio of operating expenses to total revenue for three-month period ended April 30, 2020 was 137% (excluding the reduction in operating expenses related to the adoption of IFRS 16, this ratio would have been 147%) compared to 89% for the three-month period ended April 30, 2019, reflecting the significant reduction in revenue as a result of COVID-19. The Company expects this ratio to improve as the business recovers coupled with the addition of new bank and non-bank financial institutions.

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

Results of operations – three-month periods ended April 30, 2020 and 2019 (continued)

Other income and expenses are comprised of the following:

	Three-months ended April 30, 2020 $	Three-months ended April 30, 2019 $
Other income	3,014	4,285
Interest expense	(149,103)	(67,097)
Interest on lease liabilities	(70,803)	-
Depreciation and amortization	(383,599)	(354,536)
Depreciation of right-of-use-assets	(518,440)	-
Income tax benefit (expense)	492,339	(156,574)
Total other expense	(626,592)	(573,922)

Other income decreased to $3,014 from $4,285 and relates to interest collected for surplus cash deposits held at various financial institutions in Canada and the United States as well as a small gain from the sale of an asset in the three-month period ending January 31, 2019;

Interest expense increased to $149,103 from $67,097, primarily as a result of a higher borrowing base over the prior year. The Company increased its borrowing on credit facilities in mid-March 2020 in response to the pandemic, to provide a high amount of liquidity;

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 $383,599 from $354,536 primarily driven by the addition of new assets acquired in the twelve-month period ending April 30, 2020, the most significant of which are $2,670,000 in identifiable intangible assets related to the acquisition of eZForex.com on September 6, 2019 (*see note 5 in the 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; and

Income tax changed to a benefit of $492,339 from an expense of $156,574 for the three-month period ended April 30, 2019 and is reflective of the loss position. The benefit would have been higher but for the fact that the Company is no longer recording a future income tax benefit on losses incurred in its Canadian subsidiary as they require future taxable income in order to be realized through offset.

To assist in understanding the impact of IFRS 16 on the financial statements, and for comparability purposes, the following table depicts the adjustments necessary to present select financial information for the three-month period ended April 30, 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:

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

Results of operations – three-month period ended April 30, 2020 and 2019 (continued)

Select data from the Statement of Financial Position:	**As Reported (IFRS 16)**	**IFRS 16 Adjustments**	**Proforma (IAS 17)**
Right-of-use assets, net	5,209,408	(5,209,408)	-
Deferred Tax Asset	1,129,423	(171,264)	958,158
Total Assets	**99,263,039**	**(5,380,673)**	**93,882,367**
Accrued Expenses	1,471,465	259,323	1,730,788
(relates to deferred rent)			
Current Lease Liabilities	1,757,868	(1,757,868)	-
Long-Term Lease Liabilities	4,110,602	(4,110,602)	-
Total Lease Liabilities	5,868,470	(5,868,470)	-
Total Liabilities	36,297,165	(5,609,147)	30,688,018
Retained Earnings	27,587,473	109,842	27,697,315
Total Equity	62,965,874	109,842	63,075,716
Total Liabilities and Equity	99,263,039	(5,499,305)	93,763,735

Select data from the Statement of Operations:	**As Reported (IFRS 16)**	**IFRS 16 Adjustments**	**Proforma (IAS 17)**
Total Revenue	**6,323,344**	-	**6,323,344**
Rent Expense	354,492	646,509	1,001,001
Total Operating Expenses	8,639,700	646,509	9,286,209
EBITDA	**(2,313,342)**	**(646,509)**	**(2,959,851)**
Interest on lease liabilities	70,804	(70,804)	-
Depreciation on right-of-use assets	518,440	(518,440)	-
Income before tax	**(3,435,287)**	**(57,265)**	**(3,492,553)**
Income Tax Expense (Benefit)	(492,339)	171,264	(321,075)
Net Income	**(2,942,948)**	**(228,530)**	**(3,171,478)**

Cash flows

Cash flows from operating activities during the six-month period ended April 30, 2020 resulted in an outflow of $2,023,529, compared to an inflow of $2,812,957 during the six-month period ended April 30, 2019. The principal reason for the increase in operating cash was due to a significant increase in accounts payable. 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 six-month period ended April 30, 2020 resulted in an outflow of $367,357 compared to an outflow of $1,059,533 during the six-month period ended April 30, 2019. In 2019, this represented additions to property and equipment from the opening of the Montreal vault location and to internally developed software as well as proceeds of $15,102 from the sale of assets.

Cash provided by financing activities during the six-month period ended April 30, 2020 was $19,898,979 compared to $2,671,277 during the six-month period ended April 30, 2019. The Company increased usage of its line of credit to $18,945,465 on April 30, 2020, compared to a balance of $2,605,821 on April 30, 2019. 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 Act (CARES).

The loan bears interest at 1% per annum and matures two years from the date of receipt, with no penalty for early payment. The loan may be forgiven if certain criteria are met. Subsequent to the period end, the Company elected to repay the loan in its entirety on May 14, 2020, thereby extinguishing any obligations under the CARES Act.

Liquidity and capital resources

At April 30, 2020, the Company had working capital of $54,389,921 (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.

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

On April 21, 2020, the Company received a loan in the amount of $2,397,000 from the Small Business Administration of the United States federal government. The forgivable loan was characterized as the 'Paycheck Protection Program,' under the Coronavirus Aid, Relief and Economic Security Act. CXI met all of the eligibility criteria and was approved for the loan by its commercial lender. However, subsequent to receipt of the loan, the Small Business Administration provided additional information on the criteria that would be used to determine the eligibility for forgiveness. That information cast doubt on the Company's ability to meet the criteria, and so it elected to repay the loan in full on May 14th, 2020, thereby extinguishing all rights and obligations under the terms of the loan.

Liquidity and capital resources (continued)

The line of credit bears interest at Libor plus 2.0% (at April 30, 2020 – 0.68% (2019 – 2.3%)). At April 30, 2020, the balance outstanding was $16,982,420 (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 ($4,534,119) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus 0.5% [at April 30, 2020 – 2.45% (2019 – 3.95%)]. At April 30, 2020, the balance outstanding was $1,963,045 (October 31, 2019 - $472,736).

The Company had a total available balance of unused lines of credit of $5,367,979 at April 30, 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 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, 2019 $	**Year ended October 31, 2018 $**	**Year ended October 31, 2017 $**	**Year ended October 31, 2016 $**
Revenues	41,784,043	39,098,141	32,477,220	26,827,456
Net operating income	6,152,042	8,137,804	7,921,509	6,877,489
Net income	2,924,720	4,227,243	3,821,469	3,642,111
Basic earnings per share	$0.46	$0.67	$0.62	$0.59
Diluted earnings per share	$0.46	$0.67	$0.61	$0.58
Total assets	82,729,716	73,267,274	63,968,227	62,196,008
Total liabilities	16,400,679	10,545,337	7,475,609	11,443,657
Total non-current financial liabilities	-	-	-	-
Working capital	58,932,941	59,483,137	52,778,077	47,016,377

Off-balance sheet arrangements

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

Forward and option contract activity

The Company enters into non-deliverable foreign currency forward and option contracts on a daily basis to mitigate the risk of fluctuations in the exchange rates of its holdings of major currencies. Changes in the fair value of the contracts and the corresponding gains or losses are recorded daily and are included in commissions from trading on the consolidated statements of income and comprehensive income. The Company's management strategy is to reduce the risk of fluctuations associated with foreign exchange rate changes. The foreign currency forward contracts can be closed immediately resulting in the collateral being liquidated.

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

The fair value of forward and option contracts, which represents the amount that would be (paid) received by the Company if the forward contracts were terminated at April 30, 2020 was $1,999,650 (October 31, 2019 - $1,735).

At April 30, 2020 and October 31, 2019 approximately $293,957 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 three-and six-month periods ended April 30, 2020 and 2019 were as follows:

	Six-months ended		**Three-months ended**	
	April 30, 2020	**April 30, 2019**	**April 30, 2020**	**April 30, 2019**
	$	$	$	$
Short-term benefits	1,469,924	1,236,059	820,004	611,970
Post-employment benefits	49,425	36,472	17,120	18,728
Stock based compensation	497,155	297,586	240,242	190,690
	2,016,504	1,570,117	1,077,367	821,388

The Company incurred legal and professional fees in the aggregate of $57,078 and $102,990 for the three- and six-month period ended April 30, 2020 (2019 - $90,922 and $175,822) 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 $14,715 and $52,988 in revenue from these clients' activities for the three-and six-month period ended April 30, 2020 (April 30, 2019 – $13,035 and $34,690). As at April, 2020, net accounts receivable included $79,049 from related parties (2019 - $73,611).

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 April 30, 2020, the intercompany loan balance was $3,112,000 (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 three-and six-month periods ending April 30, 2020 and 2019, and are conducted pursuant to the Company's policies.

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

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

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.

Option grants (continued)

Under the terms of the Plan, vesting 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, 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 (Cdn$)	Amount granted	Risk-free interest rate	Expected volatility	Exercise Price (Cdn$)*	Fair value of option at grant date ($)
30-Oct-15	30-Oct-20	23.50	28,972	1.47%	32%	24.64	5.10
30-Oct-15	30-Oct-20	23.50	89,435	1.47%	32%	24.64	5.10
11-Mar-16	11-Mar-21	21.30	4,182	1.45%	34%	22.78	4.78
26-Oct-16	25-Oct-21	32.96	22,757	1.30%	34%	30.75	8.46
26-Oct-16	25-Oct-21	32.96	66,820	1.30%	34%	30.75	8.46
6-Jun-17	6-Jun-22	20.79	9,865	1.71%	37%	21.53	5.27
26-Oct-17	26-Oct-22	26.84	25,039	2.07%	36%	25.52	7.69
26-Oct-17	26-Oct-22	26.84	76,981	2.07%	36%	25.52	7.69
9-Aug-18	9-Aug-23	30.93	10,200	2.80%	31%	30.69	7.74
23-Oct-18	23-Oct-23	28.01	32,501	3.10%	29%	30.77	5.92
23-Oct-18	23-Oct-23	28.01	111,111	3.10%	29%	30.77	5.92
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

*Exercise price determined by average share price for previous 20 trading days

The outstanding options at April 30, 2020 and the respective changes during the periods are summarized as follows:

	Number of options #	Weighted average price CDN$
Outstanding at October 31, 2018	424,495	27.42
Granted	354,410	17.80
Exercised	(7,269)	21.47
Cancelled through cashless exercise	(27,500)	17.19
Forfeited	(35,770)	30.08
Outstanding at October 31, 2019	708,366	22.93
Outstanding at April 30, 2020	708,366	22.93

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

Option grants (continued)

The following options are outstanding and exercisable at April 30, 2020:

	Exercise price (Cdn$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
30-Oct-15	24.64	20,148	0.50	20,148
30-Oct-15	24.64	55,662	0.50	55,662
11-Mar-16	22.78	4,182	0.86	4,182
26-Oct-16	30.75	13,004	1.49	13,004
26-Oct-16	30.75	42,928	1.49	42,928
6-Jun-17	21.53	5,586	2.10	3,724
26-Oct-17	25.52	14,308	2.49	14,308
26-Oct-17	25.52	62,893	2.49	41,929
9-Aug-18	30.69	9,084	3.28	3,028
9-Aug-18	30.69	1,116	3.48	1,116
23-Oct-18	30.77	27,858	3.48	27,858
23-Oct-18	30.77	97,187	3.48	32,397
23-Jan-19	28.23	4,127	3.73	1,375
4-Mar-19	25.83	13,316	3.85	4,439
23-Oct-19	17.36	30,000	3.85	10,000
23-Oct-19	17.36	5,837	4.10	4,378
23-Oct-19	17.36	72,376	4.48	36,188
23-Oct-19	17.36	228,754	4.48	-
Total		708,366		316,664

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.

Potential Transaction

On July 9, 2018 the Company announced its wholly-owned subsidiary, EBC, had entered into a definitive agreement to acquire the assets of a business operating 22 years primarily in the province of Quebec from the private family owners who were advised by Laurentian Bank Securities. These assets include a total of approximately 400 corporate customers that are engaged in international payments. It is expected that approximately 10 employees will be retained and employed in EBC's new Montreal Office. The transaction is subject to regulatory approval and will not close until all approvals have been obtained.

Subsequent events

The Company evaluated subsequent events through June 11, 2020, the date these condensed interim consolidated financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in the 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, 2019 and 2018. 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 of the condensed interim consolidated financial statements.

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

Financial Risk factors

Outbreak of Infectious Diseases

The Company's banknote business, which represents a significant portion of commissions revenue, is highly correlated to international travel patterns by consumers. The Company's business will be adversely affected by the effects of a widespread outbreak of respiratory illness caused by a novel coronavirus ("COVID-19") in its primary North American market, as well as travel abroad to and from North America that is curtailed due to such disease outbreaks. The Company cannot accurately predict the impact COVID-19 will have on its revenue and business undertaking, due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, 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 is taking, 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 such an epidemic persists for an extended period of time.

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. However, one of the Company's customers filed for bankruptcy protection on April 29, 2020, resulting in a provision for loss for the receivable amount of $1,012,946. The Company has filed a claim and believes that there is a reasonable chance that it will recover a portion of the outstanding receivable.

Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods. They are atypically low at April 30, 2020 due to the reduction in economic activity caused by COVID-19 related impacts. A breakdown of accounts receivable by category is below:

	At April 30, 2020	**At October 31, 2019**
Customer type	**$**	**$**
Domestic and international financial institutions	1,141,564	2,575,497
Money service businesses	1,271,025	7,274,152
Other	134,044	693,603
Total	2,546,633	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 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 April 30, 2020 was approximately $6,533,000 (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 $5,686,000 (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 +$114,000/-$114,000 (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 January 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 13 of the condensed interim consolidated financial statements.

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

If interest rates had been 50 basis points higher/lower with all other variables held constant, after tax profit for the three-month period ended April 30, 2020 would have been approximately +$13,600/-$13,600 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.

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

Liquidity Risk (continued)

The following are non-derivative contractual financial liabilities:

At April 30, 2020

Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	7,545,807	7,545,807	7,545,807	$Nil
Line of credit	18,945,465	18,945,465	18,945,465	$Nil
Accrued expenses	1,471,465	1,424,743	1,424,743	$Nil
SBA Loan	2,397,000	2,397,000	2,397,000	$Nil
Contract liability	56,461	56,461	$Nil	56,461

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

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 April 30, 2020	At October 31, 2019
	$	$
Current assets	86,563,987	75,333,620
Current liabilities	(32,174,066)	(16,400,679)
Working capital	54,389,921	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.