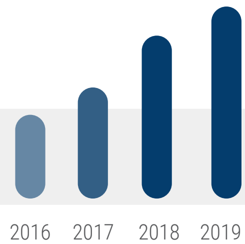
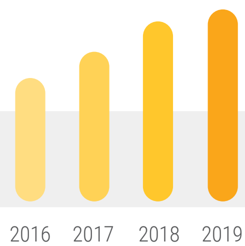
CURRENCY EXCHANGE INTERNATIONAL

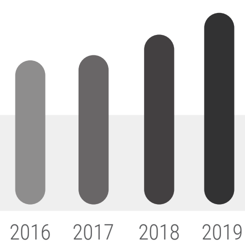
ANNUAL REPORT 2019

Financial Highlights

	2016	2017	2018	2019	Year Over Year
Exchange Volume: In Millions	$2,137	$2,835	$4,157	$4,899	18%
Total Revenue: In Millions	$26.8	$32.5	$39.1	$41.7	7%
Total Assets: In Millions	$62.2	$64.0	$73.3	$82.7	13%







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

Corporate Customers and Transacting Locations

	2016	2017	2018	2019
Company-Owned Branch Locations	38	41	43	46
Wholesale Company Relationships	928	977	1,337	1,685
Transacting Locations	13,603	15,026	17,482	19,509

Quarterly Stock Price (TSX:CXI)

TSX stock prices are quoted in Cdn$

Q1	Q2	Q3	Q4
Ended 1/31/2019	Ended 4/30/2019	Ended 7/31/2019	Ended 10/31/2019
$27.75	$24.00	$21.39	$17.25

Key Ratios

	2018	2019
Earnings Per Share	$0.67	$0.67
Return On Assets	5.8%	3.5%
Return On Equity	6.7%	4.4%
Operating Margin	20.8%	14.7%

Message from the CEO

Randolph W. Pinna
President and Chief Executive Officer

Dear CXI Shareholders, Customers, Employees and Friends,

I am pleased to present the progress and achievements of Currency Exchange International, Corp. for our year ended October 31, 2019.

CXI's Growth in 2019

CXI's strategic goals set its path of growing into a leading-edge international bank group focused on foreign exchange. In 2019, the company's achievements have cleared the way for CXI to realize the gains of implementing and delivering innovative foreign exchange solutions through integrated technologies. CXI successfully expanded its foreign currency exchange and international payments services, adding 348 new wholesale client companies representing more than 1,750 transacting locations. This raises the total number of wholesale clients served by CXI across North America to more than 1,685, a year-over-year increase of more than 26%.

CXI added three new company-owned retail branch locations to its network in fiscal year 2019, bringing the total retail branch network to 46 locations. The openings in Lynnwood, Washington (serving the Seattle metropolitan area) and Aiea, Hawaii (serving Honolulu) represent second branches in strong retail markets for CXI. The third company-owned branch opened in Philadelphia, Pennsylvania—one of the last top ten international travel destinations in the US where CXI did not have a branch. The company-owned locations continued to generate gross income at healthy retail exchange margins, conducting more than 440,000 transactions. However, a decline in average transaction size contributed to less revenue from company-owned branches compared to the previous year. CXI feels confident it is represented in all of its currently desired markets and only has plans to open one new location in 2020. Instead of opening more new branches, the company will actively seek strategic partnerships under its agent locations model. Agent relationships offer the benefit of less overhead—CXI doesn't manage labor or rent—while still growing its service network. The agents get access to CXI's software, management expertise, marketing support and follow the company's compliance regimen.

On September 6, 2019, CXI acquired eZforex.com, a foreign currency provider to 236 financial institutions that represent over 4,000 transacting locations throughout the United States. eZforex contributed $255,527 in revenue to CXI from September 7, 2019 to October 31, 2019, and $117,122 in net income after tax, including one-time transaction costs of $52,095. CXI has successfully integrated the processing and support of eZforex clients into its existing business allowing for operational efficiencies.

In fiscal year 2019, Exchange Bank of Canada (EBC), CXI's wholly-owned subsidiary, established more new international payments relationships than wholesale banknote relationships. This contributed to an increase in the international payment volume the bank processed. One of EBC's unique values for the company group is to establish new worldwide correspondent banking relationships and in doing so has helped realize efficiencies in banknote inventory management and streamlined payment processing, lowering FX transaction sourcing and processing costs. As well, they have allowed for a more comprehensive suite of offered services such as tapping into SWIFT GPI for faster payments and increased operational efficiencies. A number of initiatives in the past year strengthen EBC's risk and compliance structure including automating previously manual processes for quicker and more accurate reporting capabilities. EBC continues to await regulatory approval in order to proceed with its previously announced acquisition of a longstanding payments company in Montreal, Canada.

CXI and EBC's expanding retail and wholesale footprint grew revenues to US $41.8 million, up 7% from the previous fiscal year. Payments revenues specifically grew 54.8% year over year, increasing from 4.3% to 6.3% of revenue. Net operating income decreased to US $6.2 million from $8.1 million in the previous fiscal year. The company experienced lower revenue from its company-owned branches and increased expenses related to salaries, software development costs, and professional fees involved in strengthening the risk, compliance, and IT infrastructure in support of CXI's strategic goal of growing the payments business. This has resulted in a lower operating margin, which is expected to return to higher sustainable levels as payments revenues increase.

Consistent with CXI's strategic plan, the company continues to commit significant resources to expanding its current payment business with enhancements to both CXI's processing capabilities and expansions to the sales team driving these products. These processing enhancements and sales efforts are intended to support growth in CXI's top and bottom lines.

Message from the CEO

Strategic Growth

Delivering innovative technology through our foreign exchange and international payment services is one of the clear reasons CXI has succeeded in building a large customer base. CXI is committed to integrating its innovations into easy-to-use and efficient processes so form and function converge into a service that makes life better for our clients and their own. We are the ultimate stewards of our core value that our customers come first.

In the past year, CXI has streamlined wire processing for financial institutions through our integration into Fiserv's WireXchange® bringing both innovative solutions with high-touch collaboration and personalized support. Another example of an innovative approach is exemplified by our CXI FX Now payments platform. Corporate clients are now able to access their foreign currency balances, initiate payments, and better manage their payments than ever before with the company.

Another payment service that has seen tremendous market appetite is our previously announced digital cheque processing. This initiative utilizes the latest technology in the banking sectors to securely and quickly transmit data for processing. CXI has seen increased clients and revenue generated through these payment-processing services for financial institutions and select corporations over the past year helping to diversify our revenue streams.

With its payment and technology strategy demonstrating success, CXI has more initiatives in the queue to increase its proprietary CEIFX software's connectivity to outside systems. Integrations with strategic partners allows the company to expand its market reach and is instrumental in being a leading international banking group.

Positioned for Continued Growth

We are pleased with the accomplishments of the past year as we stay focused on the growth of revenues and profits in the years ahead. The comprehensive services, technology, and customer focus all speak to the vision of the company. I am particularly proud of how our loyal team of more than 350 employees across the US and Canada embody our core values: Customer First, Integrity, Collaborative, Innovative, and Passionate. I see it every day that we are all working together to grow our group long-term. CXI is well-positioned in the market with a strong capital base to support additional growth initiatives, including prospective merger and acquisition opportunities.

With an experienced management team and robust software, combined with Exchange Bank of Canada's ability to be a leading FX bank, our board of directors and management team are confident in our ability to execute on the expansion plan.

I personally thank all of CXI's 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

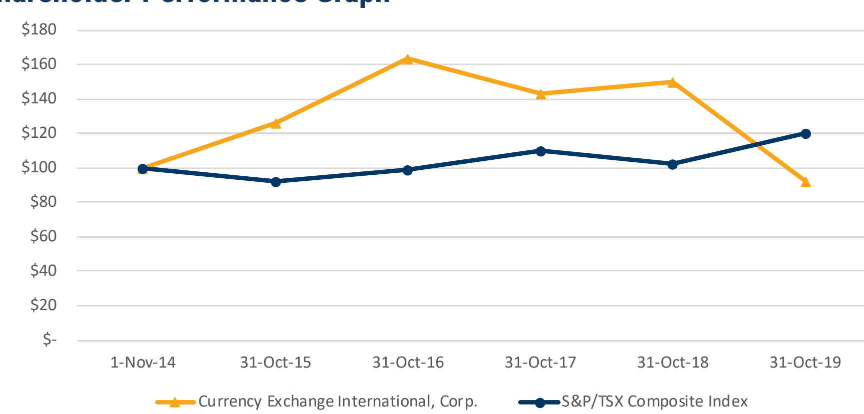
Shareholder's Equity

$ Millions

October 31, 2019	$66.3
October 31, 2018	$62.7
October 31, 2017	$56.5
October 31, 2016	$50.8

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

Shareholder Performance Graph



	01/01/14	10/31/15	10/31/16	10/31/17	10/31/18	10/31/19
CXI/TSX	$100	$126.43	$163.54	$142.84	$149.60	$92.49
S&P/TSX Composite Index	$100	$92.58	$99.29	$109.66	$102.83	$120.04

This graph compares the yearly percentage change in the cumulative total shareholder return for C$100 invested in Common Shares on November 1, 2014 against the cumulative total shareholder return of the S&P/TSX Composite Index for the most recently completed financial years of Currency Exchange International, Corp. since it became listed on the Toronto Stock Exchange ("TSX"), assuming the reinvestment of all dividends. Currency Exchange International, Corp. has never paid any dividends, and will only pay dividends in the future as the board of directors deems appropriate.

Company Snapshot

THEN

2007 - 2009

CXI, under Randolph Pinna, purchases the retail branches of Foreign Currency Exchange Corp. from the Bank of Ireland Group

Company-owned branches include eight retail locations and over the next eight years, CXI adds an additional 24 wholly-owned branches.

CXI launches its proprietary, web-based foreign currency software solution.

CXI commences services for financial institutions, allowing its wholesale partnerships to grow rapidly.

2010 - 2012

Three vaults are established in the U.S. with the main currency processing center in Miami, Florida and regional vaults in New York and California.

CXI Canada is established and its Toronto vault begins operations.

CXI completes its IPO on the Toronto Stock Exchange (TSX).

CXI Canada files an application to be continued as a new Schedule I Canadian Bank.

2013 - 2015

98% of Common Share Purchase Warrants and Broker Compensation Units from CXI's IPO are exercised for total gross proceeds of Cdn$11.3 million.

CXI aquires U.S. Exchange House in the U.S. and Canada, merging them within its business.

CXI's west coast vault in California moves to Los Angeles, increasing service capacity and operational support.

2016 - 2017

September 2016, the Minister of Finance in Canada approves the continuance of Currency Exchange International of Canada Corp. as Exchange Bank of Canada in English and Banque de change du Canada in French.

At 2017 fiscal year-end, CXI exchanges more than $2.8 billion in total exchange volume and ends the year with more than $64.0 million in assets and services 977 companies at 15,000+ locations.

Exchange Bank of Canada is accepted for SWIFT membership, the world's leading provider of secure financial messaging services, expanding its global payment capabilities.

2018

CXI launches its Digital Remote Deposit Service for Canadian Checks increasing accuracy, security, and transmission times for US financial institutions.

CXI launches OnlineFX website allowing consumers to reserve foreign currency online and pick it up at their local branch.

2019

At 2019 fiscal year-end, CXI exchanges more than USD $4.9 billion worth of currency, and services 1,685 companies at 19,000+ transacting locations.

CXI owns and operates 46 branch locations.

CXI has USD $82.7 million in assets.

NOW

Key Activities

International Payments Integration with WireXchange® by Fiserv

CXI Expands Straight-Through-Processing of International Payments Solutions For Financial Institutions

In July 2019, CXI launched its integration providing financial institutions enhanced automation through an efficient end-to-end payment process supported by an experienced, foreign exchange specialist. With several hundred financial institutions already on the WireXchange® platform, the relationship between CXI and Fiserv opens the door for more financial institutions than ever before to discover CXI's world-class customer service, pricing, and full suite of foreign exchange solutions. Already the integration has helped some existing clients using CXI for banknotes and cheques to easily switch to CXI as their international payments service provider where otherwise they would not have done so.

Acquisition of eZforex, Inc.

CXI Announces Acquisition of eZforex.com, Inc a Foreign Currency and Technology Business

In September 2019, CXI acquired eZforex.com, Inc. ("eZforex"), a Longview, Texas-based privately-held foreign currency and technology business which has wholesale banknote financial institution customers located throughout the United States. The customers of eZforex include a total of approximately 4,000 transacting locations represented by banks, bankers' banks (being financial institutions that provide financial services to community banks in the US), credit unions and corporate credit union groups. The overlapping financial institution market and service model to CXI's own wholesale banknote business have made for a smooth transition. By the end of the 2019 fiscal year, all operations were running through CXI's processing centers as expected.

CXI Launches CXI FX Now Payments Platform

CXI Launches CXI FX Now Platform Providing Faster and Clearer Global Payment Management for Organizations Moving Money Around the World

In June 2019, CXI launched its CXI FX Now platform. The web-based international payments platform was built specifically for corporations and businesses. CXI's goal to grow in the international payments space meant directly addressing the needs of businesses with a modern design and full featured system. CXI FX Now brings these both to clients, while giving more control to businesses. Additionally, the platform is integrated directly into CXI's treasury management system allowing for straight-through-processing that reduces the overall resource required to manage the business. The majority of CXI's corporate payment clients are now on CXI FX Now.

Business Operations

Business Overview

CXI's stated mission is to be a leading-edge international banking group focused on currency exchange by utilizing technology and delivering superior service. This mission has been at the forefront of what drives the business since day one. By delivering upon superior service and providing leading technology, CXI has built a stellar reputation with its clients and the markets it serves be it financial institutions, businesses or individual travelers.

Today, CXI continues its mission and goes beyond simply servicing clients with the products that address their needs today. It focuses on innovative currency exchange solutions to address the needs of its clients in the future. CXI is consistently ready to invest in its technology, data and personnel each year. The dedication to always improve has created a corporate culture that is not satisfied unless it's providing the best solutions and customer support to its clients. To assist in delivering the best solutions, CXI will continue to integrate its product and service offerings through technology in order to eliminate inefficiencies for our clients and offering peace of mind through its AML/KYC solutions

CXI's expertise is trusted by more than a thousand financial institutions and businesses, including some of the largest banks in the US, credit unions and banker's banks. Their advocacy and continued business are testaments to CXI's leadership and ability to build mutually beneficial relationships. Exchange Bank of Canada's status as the only Schedule 1 bank in Canada specializing exclusively in foreign currency solutions has opened up pathways to expand the group's global network of correspondents. In all, more than 19,000 transacting locations interact with CXI or EBC as their currency exchange provider.

Whether it's a financial institution, corporation, or individual, CXI creates positive client experiences. CXI's dedication to not only be a leader today, but help build the future through solutions that improve processes and create financial efficiencies, creates tighter bonds with clients and attracts new clients. CXI knows technology, relationships and service are at the center of this future. This is how CXI will bring its vision to be a leading international banking group focused on innovative currency exchange solutions to the masses.

Company-Owned Branch Network

In the US, CXI's company-owned branches provide higher margin currency trades with individuals compared to the wholesale business. The company is able to utilize its branch network as a source of foreign currencies, which it can then make available through its network of relationships. This operational synergy is leveraged to offer CXI's clients highly competitive rates, helping grow the business, while enjoying larger margins in its business lines.

In 2019, CXI added three company-owned locations, increasing its total branches from 43 to 46. The new branch openings were spread out across the country as branches opened in Lynnwood, Washington (Alderwood Mall); Aiea, Hawaii (Pearlridge Center); and Philadelphia, Pennsylvania (Fashion District). Fashion District opened in a new market for CXI, while Alderwood Mall and Pearlridge Center opened near established company-owned locations.

Phase 1 of CXI's OnlineFX expansion was recently launched, offering reservation of currency for pickup at local company-owned retail branches. One of the main initiatives of CXI's consumer strategy in 2020 will be expanding the OnlineFX service to include direct to consumer ordering with home delivery. Phase 2, OnlineFX Home Delivery, was launched in Q1 of 2020 and is available in the states (currently 17) in which CXI has the required licensing.

CXI sees home delivery of currency as the clear evolution of servicing international travelers' banknotes needs. Providing an always on and always available way to order foreign currency aligns with today's consumer trends and service expectations. This offering will allow CXI to expand revenues traditionally earned in a brick and mortar retail setting without the accompanying rent and payroll costs.

United States Business Environment

During the 2019 fiscal year, CXI added 318 new client relationships representing more than 1,680 new transacting locations across the United States. Each relationship varies in the services utilized, ranging from one or more of the following: foreign currency banknotes, international payments, issuance of foreign drafts and clearing foreign-denominated cheques. More than ever, CXI's existing financial institution clients have expanded the services for which they utilize the company. Predominately, this means several financial institutions that exclusively used its banknote services have begun to process international payments or foreign cheque clearing through CXI and benefit from having multiple international services with one system and one provider.

Two significant drivers of this have been CXI's digital remote deposit solution and the integration with Fiserv's WireXchange® platform. With digital remote deposit, financial institutions can clear cheques drawn on Canadian banks directly in CEIFX with cheque scanners most institutions already have in use. The process improvements, savings in shipping costs and faster clearing times have been well received. With CXI's WireXchange® integration, financial institutions switching international payments service providers is much simpler than most other scenarios. There is no actual change in the way financial institutions send wires as the platform will automatically route their wires to CXI upon switching. Financial institutions then get access to the customer support and personal interaction they've experienced with CXI's banknotes service.

CXI recently signed an agent agreement with Duty Free Americas ("DFA"), adding more than 30 locations on an inventory on consignment agent basis. These locations are located on the US and Canadian border providing convenient foreign exchange for those driving across the border. This relationship has the opportunity to expand to 35 additional DFA locations across the southern border and in airports in the future as well as potential corporate payment activities.

CXI has built a positive reputation within the wholesale foreign exchange industry as a trusted thought-leader and experienced service provider. New clients quickly find CXI is different from its competition and learn why existing clients remain loyal to the company. CXI's employees work within a corporate culture that values a high level of customer service in every interaction and is fully committed to building long-lasting relationships that help clients succeed in their business.

Canadian Business Environment

Exchange Bank of Canada has made progress in its strategic goals around growing its global network of correspondents, dealing directly with a central bank and diversifying its client base. These goals would either not be possible or have taken much longer to achieve without EBC's Schedule 1 bank status.

In EBC's third full year of operations, it successfully established new global correspondents that have reduced sourcing and processing costs. With new correspondents, EBC continues to expand its service capabilities that provide it competitive advantages in the market. The results of these improvements are evident as EBC has continued to win new international payments clients and lowered the capital required to run its banknote business through a significant just-in-time inventory management program.

Additional developments have been made in streamlining EBC's payment capabilities after fully operationalizing its international payments trade desk in fiscal 2018. This has enabled the trade desk to handle more clients while still acting as a direct resource to all corporate payment clients. The tools and expertise continue to earn outstanding reviews from clients. While EBC's progress can take time, the strides it has made and will continue to make are necessary to be the foreign exchange and international payments wholesale bank that Canada needs.

Software & Technology

CXI had the vision to build a scalable foreign exchange business as it became an industry force. Through its proprietary web-based software, CEIFX, the company has introduced businesses and financial institutions to a better way to manage and process foreign currency exchange and international payments. Today, CXI provides more comprehensive foreign exchange solutions than ever before and can successfully manage it through developing automated processes. Automation within financial services is an essential growth tool primarily achieved through an integrated and open software development ecosystem. CXI is committed to advancing its business with an emphasis on the ongoing development of its systems that increasingly connect through software integrations, recently done with WireXchange®, CXI FX Now and OnlineFX Home Delivery.

Never before has the CEIFX software been able to connect and service clients in so many ways. CXI has seen the number of clients and systems connecting to the software through APIs rise allowing for more of a seamless workflow for both the client and the company. The advancement of API connections brings a whole new level of scalability for the business. The flexibility means initiatives like OnlineFX Home Delivery can expand CXI's retail business, as well as, opens new home delivery options for our client financial institutions.

Not only are financial institutions experiencing the benefit of these integrations, CXI's corporate-focused international payments portal CXI FX Now would not have been possible without it. CXI's Treasury Management System (TMS) is the foundation that ensures all payment flows are easily managed. Clients utilizing CXI FX Now, WireXchange®, and CEIFX all flow through CXI's TMS creating a fully integrated payments ecosystem generating a more automated end-to-end payment process and reducing manual costs. This coincides with the larger evolution in the digital payments industry as businesses and financial institutions expect faster, clearer and simpler ways to fulfill their global payment obligations.

The popularity of financial service technologies and third-party service providers for both financial institutions and businesses has made CXI's technology strategy an integral part of its competitive advantage. CXI's systems provide strong capabilities, yet remain flexible for many client setup types and deployment needs. Pillars of the strategy are that CXI's technology helps clients be better at their own business by simplifying foreign exchange and payments through enhanced efficiencies, risk management and powerful data validations. CXI's success lies in its innovation of currency exchange solutions through comprehensive services, dedication to customer

CURRENCY EXCHANGE INTERNATIONAL, CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTHS AND YEAR-ENDED OCTOBER 31, 2019 AND 2018

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 subsidiary (the "**Company,**" or "**CXI**") for the three-months and year ended October 31, 2019 and 2018, 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 28, 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 the year ended October 31, 2019 and 2018 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 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 18. 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) specializing 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.

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 continue to expand current and future business opportunities and become a leading "banker's bank" for foreign exchange products and services. Obtaining a Canadian bank charter 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.

The Company is a reporting issuer in the provinces of British Columbia, Alberta, and Ontario.

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 foreign exchange positions to market value, combined 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:

    - 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

    - 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:

    - 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;

    - 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;

- 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;

- 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, 2019, the Company had inventory on consignment in 703 locations, primarily located inside financial institutions across the United States and Canada. To encourage inventory turnover, the Company pays commissions as a percentage on volumes generated by these locations; and

- Company owned branch locations generally act as a net buyer of foreign currency whereas CXI is generally a net seller to its bank and non-bank clients. Excess currency collected via the branch network can be redeployed to financial institutions and non-bank clients which reduces the need to source currency through wholesale sources at a greater cost, thus increasing currency margins.

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

Overview (continued)

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:

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	HI	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	South Center	Tukwila	WA	2012
Florida Mall Booth #2	Orlando	FL	2014	Stamford Town Center	Stamford	CN	2018
Garden State	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 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Company owned branch locations	14	15	18	23	26	32	36	38	41	43	46
Wholesale company relationships	61	70	123	245	364	469	521	928	977	1337	1685
Number of transacting locations	190	267	1,983	2,455	5,741	8,274	10,157	13,603	15,026	17,482	19,509

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. There is minimal counterparty risk 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.

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.

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

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 $	Net income (loss) $	Total assets $	Total equity $	Earnings (loss) per share (diluted) $
10/31/2019	11,469,079	1,863,442	769,393	82,729,716	66,329,037	0.13
7/31/2019	12,402,483	2,935,898	1,820,767	81,719,232	65,447,949	0.28
4/30/2019	9,460,809	1,081,292	507,370	82,267,882	63,022,826	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
4/30/2018	8,887,772	1,115,289	507,606	84,714,970	57,789,679	0.08
1/31/2018	8,402,855	1,764,296	316,148	79,794,495	57,809,076	0.05

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.

Selected Financial Results for the three-months and year ended October 31, 2019 and 2018

On September 6, 2019, the Company acquired eZforex.com, a foreign currency provider to 236 financial institutions that represent over 4,000 transacting locations throughout the United States. eZforex contributed $255,527 in revenue to CXI from September 7, 2019 to October 31, 2019, and $117,122 in net income after tax, including one-time transaction costs of $52,095. The Company also continued to develop its global foreign currency exchange payments services business, resulting in year-over-year growth of 54.8% for that segment During the course of the year, the Company’s wholly-owned subsidiary, Exchange Bank of Canada (EBC), implemented a number of initiatives to strengthen its risk and compliance structure. Management is optimistic that EBC will obtain regulatory approval in order to proceed with its previously announced acquisition of a longstanding payments company in Montreal, Canada. CXI is well-positioned in the market with a strong capital base to support additional growth initiatives, including prospective merger and acquisition opportunities.

	Year ended October 31, 2019 $	Year ended October 31, 2018 $	Three-months ended October 31, 2019 $	Three-months ended October 31, 2018 $
Revenue	41,784,043	39,098,141	11,469,079	10,270,233
Operating expenses	35,632,001	30,960,337	9,605,638	8,545,657
Net Operating income	6,152,042	8,137,804	1,863,442	1,724,576
Total other income	29,339	12,707	13,884	3,422
EBITDA*	6,181,381	8,150,511	1,877,326	1,727,999
Net income	2,924,720	4,227,243	769,393	995,967
Basic earnings per share	0.46	0.67	0.13	0.17
Diluted earnings per share	0.46	0.67	0.13	0.17

* Earnings before interest, taxes, depreciation and amortization

	October 31, 2019	October 31, 2018
Total assets	82,729,716	73,267,274
Total long-term financial liabilities	-	-
Total equity	66,329,037	62,721,937

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

Results of operations – year ended October 31, 2019 and 2018

A breakdown of revenues by geographic location is presented below:

	Total revenues	
	Year ended October 31, 2019 $	Year ended October 31, 2018 $
United States	35,137,626	33,234,379
Canada	6,646,417	5,863,762
Total	41,784,043	39,098,141

During the year ended October 31, 2019, total commission and fee revenues increased by 7% to $41,784,043 compared to $39,098,141 for the year ended October 31, 2018. Revenue generated from the purchase and sale of exotic currencies was $1,652,700 lower during the year ended October 31, 2019 than in the year ending October 31, 2018; excluding the effect of transactions related to these currencies, which fluctuate significantly, revenues increased 11% between the two periods. Since October 31, 2018, the Company has added 348 new customer relationships comprising 1,759 locations, of which 318 relationships representing 1,688 transacting locations were added in the United States and 30 relationships representing 71 locations were added in Canada. During the year ended October 31, 2019, the number of transactions between the Company and its customers increased 8% to 1,210,000 transactions from 1,118,000 for the same period in the previous year.

During the year ended October 31, 2019, operating expenses increased 15% to $35,632,001 compared to $30,960,337 for the year ended October 31, 2018, the major components of which are presented below:

	Year ended October 31, 2019 $	Year ended October 31, 2018 $	Change $	Change %
Salaries and benefits	18,298,892	15,847,680	2,451,212	15%
Rent	3,780,465	3,381,155	399,310	12%
Legal and professional	2,930,426	2,671,996	258,430	10%
Postage and shipping	5,094,817	4,560,283	534,534	12%
Stock based compensation	743,391	629,550	113,841	18%
Travel and entertainment	702,207	664,823	37,384	6%
Bank service charges	856,589	757,230	99,359	13%
Software maintenance	1,119,280	685,320	433,960	63%
Losses and shortages	426,385	307,029	119,356	39%
Insurance	440,493	361,270	79,223	22%
Other general and administrative	1,239,056	1,094,001	145,056	13%
Operating expenses	35,632,001	30,960,337	4,671,665	15%

- Salaries and benefits increased 15% to $18,298,892 from $15,847,680 which is attributed to increases in the Company's employment base for the period. The increase in staffing is 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 3 company owned branch locations;

- Rent increased 12% to $3,780,465 from $3,381,155. The Company has opened 3 new branch locations and a Montreal vault as well as expanded the Toronto and Orlando locations since October 31, 2018;

- Legal and professional fees increased 10% to $2,930,426 from $2,671,996. The increase is related primarily to consulting, legal and accounting fees incurred in support of operational and strategic initiatives of the Company;

Results of operations – year ended October 31, 2019 and 2018 (continued)

- Postage and shipping increased 12% to $5,094,817 from $4,560,283 and is due to an increase in the frequency of inbound and outbound shipments. The Company incurs shipping fees from couriers and armored carriers to transport currency between the Company's locations and customers. The Company added 348 new wholesale banknote customers representing 1,759 new transacting locations since October 31, 2018 which has led to an 8% increase in transactional activity thus increasing shipping costs. Additionally, the Company has increased the frequency of inbound and outbound armored shipments due to an increase in high value, bulk shipments to centralized clients. Shipping fees collected by the Company are netted against shipping charges charged to the Company;

- Stock based compensation increased 18% to $743,391 from $629,550 for the vested portion of stock options granted pursuant to the Company's stock option plan. The increase is due to the vesting of the 354,410 options granted during the year ended October 30, 2019 (2018 - 153,812). 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 October 31, 2019 compared to 424,495 options outstanding at October 31, 2018;

- Travel and entertainment increased 6% to $702,207 from $664,823 and is due to increased travel for client support and growth;

- Bank service charges increased 13% to $856,589 from $757,230. The increase is related primarily to increased volumes for payments related activity, and its growth rate is expected to reduce as increased volumes will generate improved efficiencies. These charges are offset partially by fees collected on wire payments, which are captured in revenues;

- Software maintenance expense increased 63%to $1,119,280 from $685,320 due to expanded usage of software applications purchased to support Sales, Operations, Payments, IT, and Finance functions in the Company;

- Losses and shortages expense increased 39% to $426,385 from $307,029. Losses typically range from 0.5-1% of revenues;

- Insurance expense increased 22% to $440,493 from $361,270 due to the opening of the Montreal vault location as well as annual increases to various policies; and

- Other general and administrative expenses increased 13% to $1,239,056 from $1,094,001. Other expenses are comprised of licenses and fees, utilities, office supplies, foreign exchange gains and losses through profit and loss, and other general and administrative expenses.

The ratio of operating expenses to total revenue for the year ended October 31, 2019 was 85% compared to 79% for the year ended October 31, 2018. The ratio traditionally is higher during the winter months and decreases as the fiscal year progresses. This is due to the cyclical nature of the business as the Company has higher exchange volumes from March to September and the Company is able to redeploy the currency it purchases in the summer months from its branch locations and resell it to other financial institutions and non-financial institution customers, thus bypassing currency wholesalers and widening its gross margins. The Company expects this ratio to remain consistent with the seasonality of the business in the short term. Over time, the Company will endeavor to increase its operating efficiency by the addition of new bank and non-bank financial institutions in Canada and the United States to redeploy currency purchased by its branches, affiliate partners, and other clientele.

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

Results of operations – year ended October 31, 2019 and 2018 (continued)

Other income and expenses are comprised of the following:

	Year ended October 31, 2019 $	Year ended October 31, 2018 $
Other income	29,339	12,707
Interest expense	(303,218)	(369,724)
Depreciation and amortization	(1,330,258)	(1,371,256)
Income tax expense	(1,623,185)	(2,182,288)
Total other expense	(3,227,322)	(3,910,561)

- Other income increased to $29,339 from $12,707 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;

- Interest and accretion expense decreased to $303,218 from $369,724 and relates to interest payments on credit lines;

- Depreciation and amortization decreased to $1,330,258 from $1,371,256 and relates to amortization of the Company's intangible assets and depreciation of fixed assets over their estimated economic life; and

For the year ended October 31, 2019, income tax expense decreased to $1,623,185 compared to an expense of $2,182,288 for the year ended October 31, 2018 and is a total of federal income tax in both the United States and Canada, as well as various state and provincial taxes for the jurisdictions in which the Company operates. There are a number of factors that impacted the year over year change. The lower profitability in 2019 compared to 2018, combined with the lower average tax rate decreased income tax expense by $626,638. In addition, the prior year was impacted by one-time adjustments related to the Tax Cuts and Jobs Act of 2017 that increased income tax expense for the year ended October 31, 2018. On December 22, 2017, the President of the United States signed tax reform legislation, which included a broad range of tax reform proposals affecting businesses, including corporate tax rates, business deductions, and international tax provisions. Many of these provisions significantly differ from previous US tax law, resulting in pervasive financial reporting implications. The 2018 income tax expense included a one-time increase in deferred tax expense of $308,000 which arose from a reduction in deferred tax assets of an identical amount. The deferred tax asset was generated on the basis of the former higher tax rate and will be liquidated over time at the lower rate now in effect. This change represents an estimated reduction in the statutory tax rate in the United States from 38.5% to 26.7%. The second factor caused by tax changes in the United States was a one-time expense related to a "repatriation" tax on earnings generated outside of the United States since 2011; this expense was $80,000 related to retained earnings in EBC and its predecessor company Currency Exchange International of Canada Corp. Partially offsetting the factors above were $311,541 in adjustments recorded in 2019 that increased income tax expense to reflect differences between estimates and the actual amounts when the 2018 tax returns were assessed.

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

Results of operations – three-month periods ended October 31, 2019 and 2018

A breakdown of revenues by geographic location is presented below:

	Total revenues	
	Three-months ended October 31, 2019 $	**Three-months ended October 31, 2018 $**
United States	9,564,465	8,630,105
Canada	1,904,614	1,640,128
Total	11,469,079	10,270,233

During the three-month period ended October 31, 2019, total commission and fee revenues increased by 12% to $11,469,079 compared to $10,270,233 for the three-month period ended October 31, 2018. Revenue generated from the purchase and sale of exotic currencies was $97,200 lower in the three-month period ended October 31, 2019 than in the three-month period ending October 31, 2018; excluding the effect of transactions related to these currencies, which fluctuate significantly, revenues increased 13% between the two periods. Since October 31, 2018, the Company has added 348 new customer relationships comprising 1,759 locations, of which 318 relationships representing 1,688 transacting locations were added in the United States and 30 relationships representing 71 locations were added in Canada. During the three-month period ended October 31, 2019, the number of transactions between the Company and its customers increased 10% to 351,000 transactions from 320,000 for the same period in the previous year.

During the three-month period ended October 31, 2019, operating expenses increased 12% to $9,605,638 compared to $8,545,657 for the three-month period ended October 31, 2018, the major components of which are presented below:

	Three-months ended October 31, 2019 $	**Three-months ended October 31, 2018 $**	**Change $**	**Change %**
Salaries and benefits	4,827,339	4,266,130	561,209	13%
Rent	991,167	874,070	117,097	13%
Legal and professional	837,186	778,290	58,896	8%
Postage and shipping	1,456,884	1,379,326	77,558	6%
Stock based compensation	195,317	95,854	99,463	104%
Travel and entertainment	204,892	161,532	43,360	27%
Bank service charges	247,835	306,606	(58,771)	-19%
Software maintenance	307,080	237,709	69,371	29%
Losses and shortages	82,283	-10,916	93,199	854%
Insurance	103,417	90,830	12,587	14%
Other general and administrative	352,238	366,226	(13,988)	-4%
Operating expenses	9,605,638	8,545,657	1,059,981	12%

- Salaries and benefits increased 13% to $4,827,339 from $4,266,130 which is attributed to increases in the Company's employment base for the period. The increase in staffing is a result of the hiring of employees engaged in the areas of compliance, information technology, payments, operations, vault operations and sales as well as adding 3 company owned branch locations;

- Rent increased 13% to $991,167 from $874,070. The Company has opened 3 new branch locations and a Montreal vault as well as expanded the Toronto and Orlando locations since October 31, 2018;

Results of operations – three-month periods ended October 31, 2019 and 2018 (continued)

- Legal and professional fees increased 8% to $837,186 from $778,290. Legal, consulting, and accounting fees are incurred in support of operational and strategic initiatives of the Company;

- Postage and shipping increased 6% to $1,456,884 from $1,379,326 and is due to an increase in the frequency of inbound and outbound shipments. The Company incurs shipping fees from couriers and armored carriers to transport currency between the Company's stores and customers. The Company added 348 new wholesale banknote customers representing 1,759 new transacting locations since October 31, 2018 which has led to an 8% increase in transactional activity thus increasing shipping costs. Additionally, the Company has increased the frequency of inbound and outbound armored shipments due to an increase in high value, bulk shipments to centralized clients. Shipping fees collected by the Company are netted against shipping charges charged to the Company;

- Stock based compensation increased to $195,317 from $95,854 for the vested portion of stock options granted pursuant to the Company's stock option plan. 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 October 31, 2019 compared to 424,495 options outstanding at October 31, 2018;

- Travel and entertainment increased 27% to $204,892 from $161,532 and is due to increased travel for client support and growth;

- Bank service charges decreased 19% to $247,835 from $306,606. The decrease is related primarily due to increased volumes generating improved efficiencies. These charges are offset partially by fees collected on wire payments, which are captured in revenues;

- Software maintenance expense increased 29% to $307,080 from $237,709 due to expanded usage of software applications purchased to support Sales, Operations, Payments, IT, and Finance functions in the Company;

- Losses and shortages expense increased to $82,283 from a recovery of $10,916. Losses typically range from 0.5-1% of revenues;

- Insurance expenses increased 14% to $103,417 from $90,830 due to the opening of the Montreal vault location; and

- Other general and administrative expenses decreased 4% to $352,238 from $366,276. Other expenses are comprised of licenses and fees, utilities, office supplies, foreign exchange gains and losses through profit and loss, and other general and administrative expenses.

The ratio of operating expenses to total revenue for three-month period ended October 31, 2019 was 84% compared to 83% for three-month period ended October 31, 2018. The ratio traditionally is higher during the winter months and decreases as the fiscal year progresses. This is due to the cyclical nature of the business as the Company has higher exchange volumes from March to September and the Company is able to redeploy the currency it purchases in the summer months from its branch locations and resell it to other financial institutions and non-financial institution customers, thus bypassing currency wholesalers and widening its gross margins. The Company expects this ratio to remain consistent with the seasonality of the business in the short term. Over time, the Company will endeavor to increase its operating efficiency by the addition of new bank and non-bank financial institutions in Canada and the United States to redeploy currency purchased by its branches, affiliate partners, and other clientele.

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

Results of operations – three-month periods ended October 31, 2019 and 2018 (continued)

Other income and expenses are comprised of the following:

	Three-months ended October 31, 2019 $	**Three-months ended October 31, 2018 $**
Other income	10,084	3,422
Interest expense	(46,006)	(30,957)
Depreciation and amortization	(334,841)	(357,775)
Income tax expense	(727,085)	(343,300)
Total other expense	(1,097,848)	(728,610)

- Other income increased to $10,084 from $3,422 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;
- Interest and accretion expense increased to $46,006 from $30,957 and relates to interest payments on credit lines;
- Depreciation and amortization decreased to $334,841 from $357,775 and relates to amortization of the Company's intangible assets and depreciation of fixed assets over their estimated economic life; and
- Income tax expense increased to $727,085 compared to an expense of $343,300 for the three-month period ended October 31, 2018. The increase includes $311,541 in adjustments to reflect differences between the estimates and actual amounts when the 2018 tax returns were assessed by the authorities.

Cash flows

Cash flows from operating activities during the year ended October 31, 2019 resulted in an inflow of $10,952,224 compared to an inflow of $5,071,971 during the year ended October 31, 2018. 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 year ended October 31, 2019 resulted in an outflow of $4,942,662 compared to an outflow of $1,314,515 during the year ended October 31, 2018. This represents additions to property and equipment from the opening of the Montreal vault location and to internally developed software as well as proceeds of $18,812 from the sale of assets.

Cash provided by financing activities during the year ended October 31, 2019 was $508,955 compared to $1,707,588 during the year ended October 31, 2018. The Company was accessing its line of credit at $472,736 on October 31, 2019, compared to a balance of $Nil on October 31, 2018.

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

Liquidity and capital resources

At October 31, 2019, the Company had working capital of $58,932,941 (October 31, 2018 - $59,483,137).

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, 2019 – 2.1% (2018 – 2.3%)). At October 31, 2019, the balance outstanding was $Nil (October 31, 2018 - $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 ($4,559,271) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus 0.5% [at October 31, 2019 – 3.95% (2018 – 3.95%)]. At October 31, 2019, the balance outstanding was $472,736 (October 31, 2018 - $Nil).

The Company had a total available balance of unused lines of credit of $24,086,534 at October 31, 2019 (October 31, 2018 - $24,565,515).

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

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

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.

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, 2019 was $1,735 (October 31, 2018 - $10,857).

At October 31, 2019 and October 31, 2018 approximately $644,657 and $1,998,942, 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, 2019 and 2018 were as follows:

	Year ended	
	October 31, 2019	**October 31, 2018**
	$	$
Short-term benefits	2,535,331	2,677,716
Post-employment benefits	99,795	82,242
Stock based compensation	706,831	521,918
	3,341,957	3,281,876

The Company incurred legal and professional fees in the aggregate of $299,000 for the year ended October 31, 2019 (2018 - $348,000) 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 $130,000 in revenue from these clients' activities for the twelve-month periods ended October 31, 2019 (October 31, 2018 – $47,000). As at October 31, 2019, net accounts receivable included $228,000 from related parties (October 31, 2018 - $84,000).

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.

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

Transactions with related parties

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, 2019, the intercompany loan balance was $11,250,000 (2018 - $5,660,000) 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, 2019 and 2018, 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.

Option grants

The Company adopted an incentive stock option plan dated April 28, 2011 (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. 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 for employees, and for directors vesting occurs within one year of the grant at the rate of 25% of the grant in each quarter of the following year, unless otherwise specified by the Board of Directors. 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
23-Oct-19	4-Mar-24	17.03	30,000	1.58%	24%	17.36	3.07
23-Oct-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

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

Option grants (continued)

The outstanding options at October 31, 2019 and the respective changes during the periods are summarized as follows:

	Number of options #	Weighted average price CDN$
Outstanding at October 31, 2017	442,223	22.31
Granted	153,812	30.76
Exercised	(144,239)	15.61
Cancelled through cashless exercise	(1,991)	20.61
Forfeited	(25,310)	26.35
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

The following options are outstanding and exercisable at October 31, 2019:

Grant Date	Exercise price (Cdn$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
30-Oct-15	24.64	20,148	1.00	20,148
30-Oct-15	24.64	55,662	1.00	55,662
11-Mar-16	22.78	4,182	1.36	4,182
26-Oct-16	30.75	13,004	1.99	13,004
26-Oct-16	30.75	42,928	1.99	42,928
6-Jun-17	21.53	5,586	2.60	3,724
26-Oct-17	25.52	14,308	2.99	14,308
26-Oct-17	25.52	62,893	2.99	41,929
9-Aug-18	30.69	9,084	3.78	3,028
9-Aug-18	30.69	1,116	3.98	1,116
23-Oct-18	30.77	27,858	3.98	27,858
23-Oct-18	30.77	97,187	3.98	32,397
23-Jan-19	28.23	4,127	4.23	-
4-Mar-19	25.83	13,316	4.35	-
23-Oct-19	17.36	5,837	4.60	1,459
23-Oct-19	17.36	30,000	4.35	-
23-Oct-19	17.36	72,376	4.98	-
23-Oct-19	17.36	228,754	4.98	-
Total		708,366		261,743

The October 23, 2019 grant of 228,754 options is made outside of the Company's stock option plan, and in accordance with the policies of TSX is subject to approval by the shareholders and regulatory approval. The options granted pursuant to the October 23, 2019 grant of 228,754 options to employees of the Company cannot be exercised prior to receipt of such approvals. The shareholders of the Company will be asked to approve and ratify the October 23, 2019 grant of 228,754 options at the next meeting of shareholders called for March 25, 2020.

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

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 January 28, 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.

Financial Risk factors

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. There is minimal counterparty risk 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 money service business customers and has a strong repayment history. For the purpose of risk control, the customers are grouped as follows: domestic and international financial institutions, money service businesses, and other customers. Credit limits are established for each customer, whereby the credit limit represents the maximum open amount without requiring payments in advance. Levels of accounts receivable are a function of growth in transaction volumes with the Company's clients. These limits are reviewed regularly by senior management. Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods.

A breakdown of accounts receivable by category is below:

	At October 31, 2019	**At October 31, 2018**
Customer type	**$**	**$**
Domestic and international financial institutions	2,575,497	4,883,305
Money service businesses	7,274,152	4,611,497
Other	693,603	145,095
Total	10,543,253	9,639,897

Credit Risk (continued)

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 October 31, 2019 was approximately $6,860,000 (2018 - $7,440,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately $5,464,000 (2018 - $5,360,000). 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 +$109,000/-$109,000 (2018 gain/loss of approximately +$107,000/-$107,000).

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, 2019, 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 9 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 year ended October 31, 2019 would have been approximately +$29,300/-$29,300 higher/lower as a result of credit lines held at variable interest rates.

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

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.

The following are non-derivative contractual financial liabilities:

		At October 31, 2019		
Non-derivative financial liabilities	**Carrying amount**	**Estimated contractual amount**	**This 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
		At October 31, 2018		
Non-derivative financial liabilities	**Carrying amount**	**Estimated contractual amount**	**Next fiscal year**	**Future fiscal years**
	$	**$**	**$**	**$**
Accounts payable	8,312,778	8,312,778	8,312,778	$Nil
Accrued expenses	2,232,559	2,045,707	2,045,707	$Nil

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, 2019	**At October 31, 2018**
	$	**$**
Current assets	75,333,620	70,028,474
Current liabilities	(16,400,679)	(10,545,337)
Working capital	58,932,941	59,483,137

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, 2019 and 2018
(Expressed in U.S. Dollars)

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Grant Thornton

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 subsidiary ("the Group"), which comprise the consolidated statements of financial position as at October 31, 2019, and October 31, 2018 and the consolidated statements of income and comprehensive 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, 2019 and October 31, 2018, 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, CPA, CA.

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
January 28, 2020

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Financial Position
October 31, 2019 and 2018
(Expressed in U.S. Dollars)

	October 31, 2019	October 31, 2018
ASSETS		
Current assets	$	$
Cash (Note 7)	62,873,873	56,402,979
Accounts receivable (Note 16)	10,543,252	9,639,897
Restricted cash held in escrow (Note 8)	644,657	1,998,942
Forward and option contract assets (Note 17)	1,735	10,857
Income taxes receivable	-	840,213
Other current assets (Note 22)	1,270,103	1,135,586
Total current assets	75,333,620	70,028,474
Property and equipment (Note10)	1,552,941	990,374
Intangible assets (Note11)	3,910,749	1,424,879
Goodwill (Note 11)	1,238,319	-
Other assets	101,686	93,280
Net deferred tax asset (Note 12)	592,401	730,267
Total assets	82,729,716	73,267,274
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable	12,583,741	8,312,778
Contract liability	266,392	-
Line of credit (Note 14)	472,736	-
Accrued expenses	2,767,711	2,232,559
Income taxes payable	310,099	-
Total current liabilities	16,400,679	10,545,337
Total liabilities	16,400,679	10,545,337
Equity		
Share capital	6,414,936	6,407,667
Equity reserves	29,204,576	28,529,465
Retained earnings	30,709,525	27,784,805
Total equity	66,329,037	62,721,937
Total liabilities and equity	82,729,716	73,267,274

Approved on behalf of Board of Directors:

(signed) "Randolph Pinna", Director

(signed) "Chirag Bhavsar", Director

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

CURRENCY EXCHANGE INTERNATIONAL, CORP.
Consolidated Statements of Income and Comprehensive Income
Years ended October 31, 2019 and 2018
(Expressed in U.S. Dollars)

	Year ended	
	October 31, 2019	**October 31, 2018**
Revenues	$	$
Commission revenue	39,251,501	36,722,112
Fee income	2,532,542	2,376,029
Total revenues (Note 6)	41,784,043	39,098,141
Operating expenses (Note 20)	35,632,001	30,960,337
Net operating income	6,152,042	8,137,804
Interest revenue	23,564	12,707
Gain on sale of assets	5,775	-
Earnings before interest, taxes, depreciation and amortization	6,181,381	8,150,511
Interest expense (Note 14)	303,218	369,724
Depreciation and amortization	1,330,258	1,371,256
Income before income taxes	4,547,905	6,409,531
Income tax expense (Note 12)	1,623,185	2,182,288
Net income for the period	2,924,720	4,227,243
Other comprehensive income, after tax		
Net income for the period	2,924,720	4,227,243
Items that may subsequently be reclassified to profit or loss		
Exchange differences on translating foreign operations	(101,699)	(335,061)
Total other comprehensive income	2,823,021	3,892,182
Earnings per share (Note 19)		
-basic	$0.46	$0.67
-diluted	$0.46	$0.67
Weighted average number of common shares outstanding (Note 19)		
-basic	6,412,593	6,300,026
-diluted	6,415,629	6,344,557

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, 2019 and 2018
(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, 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
Balance at November 1, 2017	6,263,428	6,263,428	30,208,552	(5,154,332)	442,223	1,617,408	23,557,562	56,492,618
Stock based compensation (Note 18)	-	-	-	-	153,812	807,539	-	807,539
Issue of share capital and share premium on exercise of stock options (Note 18)	144,239	144,239	2,219,026	-	(146,230)	(655,678)	-	1,707,587
Forfeited options (Note 18)	-	-	-	-	(25,310)	(177,989)	-	(177,989)
Loss on foreign currency translation	-	-	-	(335,061)	-	-	-	(335,061)
Net income	-	-	-	-	-	-	4,227,243	4,227,243
Balance, October 31, 2018	6,407,667	6,407,667	32,427,578	(5,489,393)	424,495	1,591,280	27,784,805	62,721,937

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, 2019 and 2018
(Expressed in U.S. Dollars)

	Year ended October 31, 2019	Year ended October 31, 2018
Cash flows from operating activities	**$**	**$**
Net income	2,924,720	4,227,243
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization	1,330,258	1,371,256
Stock based compensation	743,391	629,550
Change in forward and option contract positions (Note 17)	9,119	6,569
Gain on disposal of assets	(5,775)	-
Deferred taxes	(542,799)	377,133
Increase (decrease) in cash due to change in:		
Accounts receivable	(917,471)	(3,323,832)
Restricted cash held in escrow	1,354,286	(26,774)
Income taxes receivable	(183,087)	-
Other assets	(143,819)	(472,603)
Contract liability	265,939	-
Accounts payable, accrued expenses, holding accounts and income taxes payable	6,117,462	2,283,429
Net cash flows from operating activities	10,952,224	5,071,971
Cash flows from investing activities		
Purchase of property and equipment	(1,205,437)	(483,282)
Purchase of intangible assets	(529,421)	(831,233)
Acquisition, net of cash acquired (Note 5)	(3,226,616)	-
Proceeds from sale of asset	18,812	-
Net cash outflow from investing activities	(4,942,662)	(1,314,515)
Cash flows from financing activities		
Proceeds from exercise of stock options (Note 18)	40,685	1,707,588
Net borrowing on line of credit (Note 14)	468,270	-
Net cash flows from financing activities	508,955	1,707,588
Net change in cash	6,518,517	5,465,044
Cash, beginning of period	56,402,979	51,147,685
Exchange difference on foreign operations	(47,623)	(209,750)
Cash, end of period	62,873,873	56,402,979
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for income taxes	1,275,469	3,083,321
Cash paid during the period for interest	303,218	369,724
Cash received during the year for interest	23,564	12,707

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 business and 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 46 branch locations. 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 a non-deposit taking, non-lending financial institution engaged in foreign exchange services and is registered as a Schedule 1 bank.

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 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**").

The consolidated financial statements were authorized for issue and approved by the Board of Directors on January 28, 2020.

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 and have been excluded.

IFRS 9 *Financial Instruments* ("IFRS 9") was issued in July 2014. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard includes guidance on recognition and

2. Accounting Policies (continued)

derecognition of financial assets and financial liabilities, impairment and hedge accounting. IFRS 9 became effective for annual periods beginning on or after January 1, 2018.

The standard was adopted effective November 1, 2018 and the adoption did not have a significant impact on the Company's consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15") was issued in May 2014. IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and some revenue related Interpretations. IFRS 15 establishes a new control-based revenue recognition model; changes the basis for deciding whether revenue is to be recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue. The standard became effective January 1, 2018.

The standard was adopted effective November 1, 2018 and the adoption did not have a significant impact on the Company's consolidated financial statements or existing revenue recognition policies or necessitate any significant changes to its internal controls or data systems.

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, 2019 and 2018, 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, 2019 and 2018, respectively.

Revenue recognition

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.

2. Accounting Policies (continued)

Commission revenues are the difference between the cost and selling price of foreign currency products, including bank notes, wire transmissions, 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.

Leases

The Company has entered into various operating leases. Payments on operating lease agreements are recognized and expensed on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

2. Accounting Policies (continued)

Property and equipment

Property and equipment is 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.

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.

2. Accounting Policies (continued)

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.

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

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 pre tax 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.

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, 2019, $386,837 related to these holding and prepayment accounts were included in accounts payable (2018 - $4,563).

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.

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.

2. Accounting Policies (continued)

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

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.

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

2. Accounting Policies (continued)

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 condensed interim 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 condensed interim 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.

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

2. Accounting Policies (continued)

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.

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

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, 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

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

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.

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 16. 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.

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

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.

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 Notes 9 and 21.

4. Accounting Pronouncements

Accounting standards issued but not yet effective

IFRS 16 *Leases* ("IFRS 16") was issued in January 2016. IFRS 16 replaces IAS 17 *Leases*. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 is effective for fiscal periods beginning on or after January 1, 2019, with early adoption permitted. The Company has estimated the impact of IFRS 16 on its consolidated financial statements, starting in the fiscal 2020 period. The Company believes that the most significant impact will be the recognition of a right-of-use asset and a corresponding lease liability on the statement of financial position for certain facilities currently treated as operating leases. In addition, certain expense categories on the Consolidated Statement of Income and Comprehensive Income will be affected. Because operating expenses will only include rent expense for the current period, it will be reduced from levels prior to implementation of IFRS 16, thereby increasing Earnings before interest, taxes, depreciation and amortization. However, interest expense will increase, related to long term lease liabilities, reducing net income before income taxes. The Company intends to disclose the effect of IFRS 16 on its financial results, compared to the period prior to implementing IFRS, in its financial statements, starting in the 2020 fiscal year.

5. Acquisition

On September 6, 2019 the Company completed a share acquisition of eZforex. The Company acquired 100% of the issued and outstanding shares of eZforex in exchange for cash consideration of $4,180,993. The acquisition is a business combination accounted for using the acquisition method 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.

5. Acquisition (continued)

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

The consolidated statements of income and comprehensive income for the year ended October 31, 2019 include $255,527 in revenue, $138,405 in expenses for a net income after tax contribution of $117,122 from the eZforex business after the date of acquisition. Expenses include one-time transaction costs of $52,095 and amortization and income tax expense totalling $76,542.

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 ($)		
	United States	**Canada**	**Total**
Year ended October 31, 2019	35,137,626	6,646,417	41,784,043
Year ended October 31, 2018	33,234,379	5,863,762	39,098,141

	Revenues by Product Line		
	Banknotes	**Payments**	**Total**
Year ended October 31, 2019	39,144,401	2,639,642	41,784,043
Year ended October 31, 2018	37,393,050	1,705,091	39,098,141

	At October 31, 2019			At October 31, 2018		
Assets	**United States**	**Canada**	**Total**	**United States**	**Canada**	**Total**
	$	$	$	$	$	$
Cash	37,760,599	25,113,274	62,873,873	39,064,052	17,338,927	56,402,979
Accounts receivable	4,961,794	5,581,458	10,543,252	3,451,715	6,188,182	9,639,897
Restricted cash held in escrow	644,657	-	644,657	1,998,942	-	1,998,942
Forward and option contract assets	(10,379)	12,114	1,735	(35)	10,892	10,857
Other current assets	1,001,960	268,143	1,270,103	817,927	317,659	1,135,586
Property and equipment	904,475	648,466	1,552,941	694,331	296,043	990,374
Intangible assets	3,692,019	218,730	3,910,749	1,077,270	347,609	1,424,879
Goodwill	1,238,319	-	1,238,319			
Other assets	101,686	-	101,686	93,280	-	93,280
Income taxes receivable	-	-	-	426,084	414,129	840,213
Net deferred tax asset	368,399	224,002	592,401	630,516	99,751	730,267
Total assets	50,663,529	32,066,187	82,729,716	48,254,082	25,013,192	73,267,274

7. Cash

Included within cash of $62,873,873 at October 31, 2019 (2018 - $56,402,979) are the following balances:

	At October 31, 2019	At October 31, 2018
	$	$
Cash held in transit, vaults, tills and consignment locations	49,714,265	44,609,002
Cash deposited in bank accounts in jurisdictions in which the Company operates	13,159,608	11,793,977
Total	62,873,873	56,402,979

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 had cash collateral amounts of $644,657 at October 31, 2019 (2018 - $1,998,942).

9. Operating Leases

The Company and its subsidiary companies entered into non-cancellable operating leases with terms in excess of one year for the use of certain facilities. The rent expense associated with these leases for the year ended October 31, 2019 was $3,780,465 (2018 - $3,381,155).

The following is a schedule of future minimum rental payments under these lease agreements:

	Within 1 year	1 to 5 years	after 5 years	Total
	$	$	$	$
October 31, 2019	3,182,232	3,123,993	$Nil	6,306,225
October 31, 2018	2,604,237	4,604,233	$Nil	7,208,470

10. Property and Equipment

Property and equipment consist of the following:

	Vehicles	Computer equipment	Furniture and equipment	Leasehold improvements	Total
Cost	$	$	$	$	$
Balance, October 31, 2017	80,247	311,514	753,068	1,980,041	3,124,870
Additions	33,987	97,018	109,503	236,432	476,940
Disposals	(32,995)	-	-	-	(32,995)
Net exchange differences	-	(227)	(3,223)	(2,897)	(6,347)
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

10. Property and Equipment (continued)

Depreciation	Vehicles $	Computer equipment $	Furniture and equipment $	Leasehold improvements $	Total $
Balance, October 31, 2017	66,181	246,628	485,846	1,322,576	2,121,231
Additions	18,101	46,617	150,718	275,094	490,530
Disposals	(32,995)	-	-	-	(32,995)
Net exchange differences	-	(813)	(3,128)	(2,731)	(6,672)
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

Carrying amounts	Vehicles $	Computer equipment $	Furniture and equipment $	Leasehold improvements $	Total $
Balance, October 31, 2018	29,952	115,873	225,912	618,637	990,374
Balance, October 31, 2019	21,166	338,344	236,262	957,169	1,552,941

11. Goodwill and Intangible Assets

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 an asset purchase transaction as well as the purchase of eZforex (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 $	Goodwill $	Total $
Balance, October 31, 2017	1,416,117	480,000	3,288,283	-	-	5,184,400
Additions	831,233	-	-	-	-	831,233
Net exchange differences	(5,579)	-	-	-	-	(5,579)
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	1,238,320	4,437,741
Net exchange differences	(217)	-	-	-	-	(217)
Balance, October 31. 2019	2,767,814	573,161	5,198,283	670,000	1,238,320	10,447,578

11. Goodwill and Intangible Assets (continued)

Amortization	**Internally developed software** $	**Acquired software** $	**Customer trading relationships** $	**Trade Name & Non-Compete** $	**Goodwill** $	**Total** $
Balance, October 31, 2017	837,132	480,000	2,356,603	-	-	3,673,735
Amortization	253,784	-	626,941	-	-	880,725
Net exchange differences	-	-	30,716	-	-	30,716
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

Carrying amounts	**Internally developed software** $	**Acquired software** $	**Customer trading relationships** $	**Trade Name & Non-Compete**	**Goodwill**	**Total** $
Balance, October 31, 2018	1,150,855	-	274,024	-	-	1,424,879
Balance, October 31. 2019	1,297,587	86,411	1,876,550	650,200	1,238,320	5,149,068

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, 2019 and 2018 consist of the following:

	October 31, 2019	**October 31, 2018**
	$	$
Deferred tax assets		
Accrued expenses	308,632	246,198
Stock based compensation	525,503	349,829
Other	185,962	28,873
Net intangible assets	-	212,958
Total deferred tax assets	1,020,097	837,858
Deferred tax liabilities		
Net property and equipment	(129,004)	(107,591)
Net intangibles assets	(298,692)	-
Total deferred tax liabilities	(427,696)	(107,591)
Net deferred tax asset	592,401	730,267

12. Income Taxes (continued)

Reconciliation of the provision for income taxes to the amount calculated using the Company's statutory tax rate for the year ended October 31, 2019 and 2018 are as follows:

	October 31, 2019	October 31, 2018
	$	$
Income before taxes	4,457,905	6,409,531
Statutory tax rate	25.53%	28.41%
Tax expense at statutory rate	1,138,103	1,820,647
Sec. 965 Repatriation Tax - Current	-	80,000
Recovery on exercise of director and employee stock options	(2,283)	(267,990)
Foreign tax rate adjustment	474,741	538,978
Other non-deductible differences	12,624	10,653
Income tax expense	1,623,185	2,182,288

The enacted tax rates in the United States of 22% (2018 - 22%) and Canada of 26.5% (2018 – 26.5%) where the Company operates are applied in the in the tax provision calculation.

The provision for income taxes for the year ended October 31, 2019 and 2018 consists of the following:

	October 31, 2019	October 31, 2018
	$	$
Current tax expense	2,140,029	1,803,241
Deferred tax benefit	(516,844)	379,047
Income tax expense	1,623,185	2,182,288

13. Seasonality of Operations

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.

14. Lines of Credit

The Company maintains lines of credit to meet borrowing needs during peak business periods. The Company has a revolving line of credit with BMO Harris Bank, N.A, 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, 2019 – 2.1% (2018 – 2.3%)). At October 31, 2019, the balance outstanding was $Nil (2018 - $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 ($4,559,271) being secured against cash assets held in its vaults. The line of credit bears interest at CDN prime plus 0.5% (at October 31, 2019 – 3.95% (2018 – 3.95%)). At October 31, 2019, the balance outstanding was $472,736 (2018 - $Nil).

Interest expense relates to interest payments on lines of credit. Interest expense was $303,218 for the year ended October 31, 2019 (2018 - $369,724).

15. Fair Value Measurement of Financial Instruments

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as outlined in Note 2.

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, 2019 and 2018. The following table shows the Levels within the hierarchy of financial assets and liabilities measured at fair value.

	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

	At October 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Cash	56,402,979	-	-	56,402,979
Forward and option contract assets	-	10,857	-	10,857
Total Assets	56,402,979	10,857	-	56,413,836

Cash (Level 1)

The Company's cash balances consisting of local and foreign currency notes held in vaults, tills, bank accounts, and in transit are based upon foreign exchange rates quoted in active markets as of October 31, 2019 and 2018.

Forward and option contract positions (Level 2)

The Company's forward and option 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.

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
- Line of credit
- Contract liability

16. Risk Management

The Company's activities expose it to a variety of financial risk: 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. As part of its governance structure, the Company has a designated Risk Committee which oversees and monitors the implementation of these policies.

The analysis below presents information about the Company's exposure to each of the 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. There is minimal counterparty 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 money service business customers and has a strong repayment history. 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.

Due to seasonality, amounts in accounts receivable are usually at their highest during peak periods.

A breakdown of accounts receivable by category is below:

	At October 31, 2019	**At October 31, 2018**
Customer type	**$**	**$**
Domestic and international financial institutions	2,575,497	4,883,305
Money service businesses	7,274,152	4,611,497
Other	693,603	145,095
Total	10,543,252	9,639,897

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.

16. Risk Management (continued)

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 vaults, tills and in transit at October 31, 2019 was approximately $6,860,000 (2018 - $7,440,000). The amount of currency that is unhedged and that is not pegged to the U.S. Dollar is approximately $5,464,000 (2018 - $5,360,000). 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 +$109,000/-$109,000 (2018 gain/loss of approximately +$107,000/-$107,000).

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, 2019, 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 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, 2019 would have been approximately +$29,300/-$29,300 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.

16. Risk Management (continued)

The following are non-derivative contractual financial liabilities:

At October 31, 2019 Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	This 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

At October 31, 2018 Non-derivative financial liabilities	Carrying amount	Estimated contractual amount	Next fiscal year	Future fiscal years
	$	$	$	$
Accounts payable	8,312,778	8,312,778	8,312,778	$Nil
Accrued expenses	2,232,559	2,045,707	2,045,707	$Nil

The Company had available unused lines of credit amounting to $24,086,534 at October 31, 2019 (October 31, 2018 - $24,565,515).

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, 2019	At October 31, 2018
Current assets	75,333,620	70,028,474
Current liabilities	(16,400,679)	(10,545,337)
Working capital	58,932,941	59,483,137

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 debt 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 Contracts

The Company enters into foreign currency forward and purchased 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 condensed interim 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.

17. Foreign Currency Forward Contracts (continued)

The foreign currency forward contracts can be closed immediately resulting in any collateral being liquidated. The foreign currency option contracts are held to maturity and are either exercised for a net gain or expire at no obligation to the Company.

The fair value of forward and option contracts, which represents the amount that would be received/(paid) by the Company if the forward contracts were terminated at October 31, 2019 was $1,735 (2018 - $10,857).

At October 31, 2019 and October 31, 2018 approximately $644,657 and $1,998,942, 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. See Note 8.

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	CDN$ value
Q1 2018	-	-	-
Q2 2018	-	-	-
Q3 2018	132,258	1,495,848	1,957,765
Q4 2018	11,981	211,740	280,767
Q1 2019	6,424	63,272	83,870
Q2 2019	-	-	-
Q3 2019	-	-	-
Q4 2019	845	61,316	84,212

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 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.

The outstanding options at October 31, 2019 and 2018 and the respective changes during the periods are summarized as follows:

18. Equity (continued)

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
23-Oct-19	4-Mar-24	17.03	30,000	1.58%	24%	17.36	3.07
23-Oct-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

	Number of options	Weighted average price
	#	CDN$
Outstanding at October 31, 2017	442,223	22.31
Granted	153,812	30.76
Exercised	(144,239)	15.61
Cancelled through cashless exercise	(1,991)	20.61
Forfeited	(25,310)	26.35
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

18. Equity (continued)

The following options are outstanding and exercisable at October 31, 2019:

Grant Date	Exercise price (CDN$)	Number outstanding	Average remaining contractual life (years)	Number exercisable
30-Oct-15	24.64	20,148	1.00	20,148
30-Oct-15	24.64	55,662	1.00	55,662
11-Mar-16	22.78	4,182	1.36	4,182
26-Oct-16	30.75	13,004	1.99	13,004
26-Oct-16	30.75	42,928	1.99	42,928
6-Jun-17	21.53	5,586	2.60	3,724
26-Oct-17	25.52	14,308	2.99	14,308
26-Oct-17	25.52	62,893	2.99	41,929
9-Aug-18	30.69	9,084	3.78	3,028
9-Aug-18	30.69	1,116	3.98	1,116
23-Oct-18	30.77	27,858	3.98	27,858
23-Oct-18	30.77	97,187	3.98	32,397
23-Jan-19	28.23	4,127	4.23	-
4-Mar-19	25.83	13,316	4.35	-
23-Oct-19	17.36	5,837	4.60	1,459
23-Oct-19	17.36	30,000	4.35	-
23-Oct-19	17.36	72,376	4.98	-
23-Oct-19	17.36	228,754	4.98	-
Total		708,366		261,743

The October 23, 2019 grant of 228,754 options is made outside of the Company's stock option plan, and in accordance with the policies of TSX is subject to approval by the shareholders and regulatory approval. The options granted pursuant to the October 23, 2019 grant of 228,754 options to employees of the Company cannot be exercised prior to receipt of such approvals. The shareholders of the Company will be asked to approve and ratify the October 23, 2019 grant of 228,754 options at the next meeting of shareholders called for March 25, 2020.

19. Earnings per Share

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

	Year ended	
	October 31, 2019	**October 31, 2018**
Basic		
Net income	$2,924,720	$4,227,243
Weighted average number of shares outstanding	6,412,593	6,300,026
Basic earnings per share	$0.46	$0.67
Diluted		
Net income	$2,924,720	$4,227,243
Weighted average number of shares outstanding	6,415,629	6,344,557
Diluted earnings per share	$0.46	$0.67

20. Operating expenses

	Year ended	
	October 31, 2019	**October 31, 2018**
	$	$
Salaries and benefits	18,298,892	15,847,680
Rent	3,780,465	3,381,155
Legal and professional	2,930,426	2,671,996
Postage and shipping	5,094,817	4,560,283
Stock based compensation	743,391	629,550
Travel and entertainment	702,207	664,823
Bank service charges	856,589	757,230
Software maintenance	1,119,280	685,320
Losses and shortages	426,385	307,029
Insurance	440,493	361,270
Other general and administrative	1,239,056	1,094,001
Operating expenses	35,632,001	30,960,337

21. 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 years ended October 31, 2019 and 2018 were as follows:

	Year ended	
	October 31, 2019	**October 31, 2018**
	$	$
Short-term benefits	2,535,331	2,677,716
Post-employment benefits	99,795	82,242
Stock based compensation	706,831	521,918
	3,341,957	3,281,876

The Company incurred legal and professional fees in the aggregate of $299,000 for the year ended October 31, 2019 (2018 - $348,000) 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 $130,000 in revenue from these clients' activities for the twelve-month period ended October 31, 2019 (October 31, 2018 – $47,000). As at October 31, 2019, net accounts receivable included $228,000 from related parties (October 31, 2018 - $84,000).

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.

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

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, 2019, the intercompany loan balance was $11,250,000 (2018 - $5,660,000) 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, 2019 and 2018, 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.

22. Other current assets

	At October 31, 2019	At October 31, 2018
	$	$
Prepaid rent	296,102	251,855
Prepaid personnel	-	110,414
Prepaid computer software	175,517	171,271
Prepaid insurance	315,992	263,429
Prepaid advertising	20,833	45,834
Other current assets	461,659	292,783
Total	1,270,103	1,135,586

23. Potential Transaction

On July 9, 2018 the Company announced its wholly-owned subsidiary EBC has 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 Montreal Office. The transaction is subject to regulatory approval and will not close until all approvals have been obtained.

24. Subsequent Events

The Company evaluated subsequent events through January 28, 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.

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Board of Directors

Randolph W. Pinna

CEO, President, Chairman of the Board of CXI, Director of EBC

Mr. Pinna was appointed the Chief Executive Officer, President and Director of CXI when it began operating in October 2007. From 1989 to 2003, Mr. Pinna was President, Chief Executive Officer and Director of Foreign Currency Exchange Corp. and remained in this role after the friendly acquisition by Bank of Ireland Group until October 2007. Mr. Pinna was responsible for the growth of Foreign Currency Exchange Corp. from a small, one location operation in Tampa, Florida to an international, publicly-traded company listed on the TSX. Mr. Pinna has more than 30 years of experience in international banking with an emphasis on foreign exchange.

Joseph August

Director of CXI
Director of EBC
Independent Board Member

Chirag Bhavsar

Lead Director of CXI
Chairman of the Board of EBC
Independent Board Member

Johanne Brossard

Director of CXI
Director of EBC
Independent Board Member

Stacey Mowbray

Director of CXI
Director of EBC
Independent Board Member

Chitwant Kohli

Director of CXI
Director of EBC
Independent Board Member

Mark D. Mickleborough

Director of CXI
Director of EBC
Board Member

V. James Sardo

Director of CXI
Director of EBC
Independent Board Member

Daryl Yeo

Director of CXI
Director of EBC
Independent Board Member

Shareholder Information

Annual Meeting of Shareholders

Shareholders are invited to attend the annual meeting of Currency Exchange International, Corp. to be held on March 25, 2020 at 12:00 p.m. (EST) at:
333 Bay Street, 46th Floor,
Toronto, Ontario, Canada M5H 2S5

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

Computershare Investor Services
100 University Ave, 8th Floor, South Tower
Toronto, Ontario Canada M5J 2Y1

Telephone: (800) 564 6253 (Toll Free)
Facsimile: (888) 453 0330 (Toll Free)
Web Site: www.computershare.com

Computershare offices are also located in Calgary, Halifax, Montreal, Richmond Hill and Vancouver.

Auditors

Grant Thornton LLP
Chartered Professional Accountants
Licensed Professional Accountants
Mississauga, Canada

Currency Exchange International, Corp.
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