Management's Discussion and Analysis of

VOTI INC.

For the year ended October 31, 2017, 2016 and 2015

Table of Contents

Basis of Presentation 3
Forward-Looking Statements 3
Business Strategy 4-5
Fiscal 2017 Highlights 6
Fiscal 2016 Highlights 6
Fiscal 2015 Highlights 6
Selected Annual Financial Information 7
Non-IFRS Financial Measures 7-9
Results of Operations 10-11
Financial Position 12
Liquidity and Capital Resources 13-14
Selected Quarterly Information 15
Trends and Seasonality 15-16
Dividend Policy 16
Financial Risk Management 17-19
Additional Financing Requirements 19
Financial Instruments 19
Off-Balance Sheet Arrangements 19
Related Party Transactions 20
Outstanding Share Data 20
Segment Reporting 20
Critical Accounting Estimates 20-21
Change in significant accounting polices 21-22
Recent Accounting Pronouncements 22
Subsequent Events 23
Business Risks 23

Basis of Presentation

The following has been prepared for the purpose of providing Management's Discussion and Analysis ("MD&A") of the financial condition as at October 31, 2017, 2016 and 2015 and operating results of the Company for the years ended October 31, 2017, 2016 and 2015. This MD&A was prepared on October 3, 2018 with information available at this date. All references in this MD&A to Fiscal 2015 are to the fiscal year ended October 31, 2015, to Fiscal 2016 are to the fiscal year ended October 31, 2016 and to Fiscal 2017 are to the fiscal year ending October 31, 2017. This document should be read in conjunction with the audited annual financial statements and notes thereto for the year ended October 31, 2015, 2016 and 2017. All amounts herein are expressed in Canadian dollars (unless otherwise indicated). All financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards (''IFRS''). Certain financial measures used in this MD&A do not have any standardized meaning under IFRS, including "EBITDA", "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted net loss" and "Adjusted loss per share". For a reconciliation of these non-IFRS financial measures to the most comparative IFRS measure, see the "Non-IFRS Financial Measures" section of this MD&A.

Forward-Looking Statements

This MD&A contains forward-looking statements. When used in this MD&A, the words ''may'', ''would'', ''could'', ''will'', ''intend'', ''plan'', ''anticipate'', ''believe'', ''seek'', ''propose'', ''estimate'', ''project'', ''expect'' and similar expressions are intended to identify forward- looking statements. In particular, this MD&A contains forward-looking statements with respect to, among other things, business objectives, expected growth, results of operations, performance, business projects and opportunities and financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect VOTI's then current views with respect to future events based on certain material facts and assumptions and are subject to certain risks and uncertainties, including without limitation changes in the risk factors described under the section of this Filing Statement entitled "Part I – Risk Factors". The forward- looking information is based on certain key expectations and assumptions made by VOTI, including expectations and assumptions concerning availability of capital resources, business performance, market conditions, customer demand and closing of the Arrangement. Although VOTI believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information since no assurance can be given that they will prove to be correct.

Many factors could cause VOTI's actual results, performance or achievements to vary from those described in this MD&A, including without limitation those listed above, those described under the section of this Filing Statement entitled "Part I – Risk Factors" as well as the assumptions upon which they are based proving incorrect. These factors should not be construed as exhaustive. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, sought, proposed, estimated or expected, and such forward-looking statements should not be unduly relied upon. VOTI does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by these cautionary statements. Forward-looking information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on VOTI's management's assessment of the relevant information currently available. Readers are cautioned that outlook information contained in this MD&A should not be used for the purposes other than for which it is disclosed herein or therein, as the case may be.

Please also refer to the section of this Filing Statement entitled "Cautionary Note Regarding Forward-Looking Information".

Business Strategy

Company Overview

VOTI is domiciled in Canada and its registered office is located at 790 Bégin Street, Saint-Laurent, Quebec, H4M 2N5. The Company was incorporated under the *Canada Business Corporations Act* and began operations on, April 25, 2008.

VOTI has two directly wholly-owned subsidiaries: VOTI International Inc. ("VOTI International") and VOTI Detection Asia Sdn. Bhd. ("VOTI Asia"). In addition, VOTI has two indirect wholly-owned subsidiaries: VOTI USA, Inc. ("VOTI USA") and VOTI Security Scanning International ("VOTI SSI"). VOTI's interest in VOTI USA and VOTI SSI are held indirectly through VOTI International.

VOTI is a leading-edge Canadian technology company that develops latest-generation X-ray security systems based on 3D Perspective™ technology. VOTI's technology produces remarkably sharp and more revealing X-ray images that are competitively superior while delivering enhanced threat detection capabilities and a vastly improved user experience. Since its inception, VOTI has consulted heavily with government agencies and security specialists worldwide to develop feature-rich and easy-to-use scanners that meet the sophisticated needs of modern security screening operations.

For more detailed information regarding VOTI, see "Part III – Information Concerning VOTI" of the filing statement.

Key Business Strategies

Innovation is the goal of VOTI Engineering and R&D, while lean manufacturing drives production. VOTI's sales strategy is to exceed the needs of its customers and through service and maintenance, commit to ensuring the reliable provision of service. VOTI is in the midst of launching a SAAS based cloud/big data solution. This sets VOTI apart from its competitors. VOTI leads by bringing innovation to the conventional X-ray industry, protecting people and property through enhanced detection. There is a global trend to integrating technologies into comprehensive security solutions.

VOTI believes that its competitive advantage is its best in class solution and 3D technology that produces sharp and superior x-ray images while delivering enhanced threat detection capabilities and a unique user-friendly experience. A large segment of the global market is served by legacy providers who support fleet deployments of security scanners. The transition to innovative technologies complicates the management of these fleets. The VOTI advantage becomes evident to the end users of the technology and it becomes evident that the benefits of the VOTI value proposition far outweigh the complications of integrating new technology into their existing fleet.

VOTI's software first approach allows for the development of customized solutions, addressing the specific and sometimes unique requirements of its customers. VOTI is customer focused by bringing to market effective detection technologies to markets that are price sensitive.

Management believes that as the value of the VOTI innovative approach continues to be recognized, VOTI gains increased access to the market.

Proprietary Protection

In accordance with industry practice, VOTI protects its proprietary rights through a combination of copyright, trade secret laws and contractual provisions. The source code for VOTI's software is protected under Canadian and applicable international copyright laws. VOTI currently has no issued patents or pending patent applications. In the future, VOTI may file patent applications, but patents might not be issued with respect to these patent applications, or if patents are issued, they might not provide VOTI with any competitive advantages, might not be issued in a manner that gives VOTI the protection that it seeks and might be successfully challenged by third parties.

VOTI also seeks to protect against the disclosure of its intellectual property and proprietary information by requiring employees and consultants to execute non-disclosure and assignment of intellectual property agreements. Such agreements require employees and consultants to assign to VOTI all intellectual property developed in the course of their employment or engagement. VOTI also utilizes non-disclosure agreements to govern interactions with business partners and prospective business partners and other relationships where disclosure of proprietary information may be necessary. VOTI's software includes software components licensed from third-parties, including open source software. VOTI believes that it follows industry best practices for using open source software and that replacements for this third-party licensed software are available either as open source software or on commercially reasonable terms.

Financial Outlook

As a result of increased threat levels from terrorism and criminal activity, the global detection market is resilient and growing. According to Research and Markets, the global detection market is expected to grow at a 7.3% CAGR and is forecasted to reach US$5.3 billion by 2022. Based on data from the Homeland Security Research Corporation, the X-ray screening market is forecasted to grow at a 6.7% CAGR and is expected to reach a market size of US$2.5 billion by 2021.

In Fiscal 2018, the Company intends to continue to expand on its already established network of distributors specializing in the public and private security sectors. VOTI’s network currently covers 31 countries, VOTI is supported by the Export Development Corporation and the Company leverages the network of Canadian Trade Commissioners. In Fiscal 2016, VOTI had established a subsidiary in the Free Trade Zone of Dubai and VOTI continues to focus on growing the export market for its technology.

Growth is expected to originate from the following key market verticals:

- Critical Assets and Infrastructures – data centers and telecom installations; government buildings or assets; financial institutions; energy infrastructure and public utilities; offices and corporate headquarters; industrial complexes; metal refineries; jewelry retailers; electronics providers.
- Transportation – mass transit systems; airports; rail transit facilities; logistics operations.
- Secured Perimeters and buildings – educational institutions; courthouses, prisons, jails and detention centers; police stations and military sites; public safety.
- Ports and borders – airports; land checkpoints; seaports; import/export facilities.
- Commercial, manufacturing and retail – warehouses; fulfillment and manufacturing facilities; storage facilities; retail locations.

These objectives are based upon a number of assumptions and are subject to risks and uncertainties, many of which are beyond our control. These risks and uncertainties could cause actual results to differ materially from these objectives. See the ‘‘Forward-Looking Statements’’ and ‘‘Business Risks” sections of this MD&A.

Fiscal 2017 Highlights

- Revenues reached $18,462,971, an increase of $14,467,380 or 362% when compared to 2016.
- Gross profit reached $4,250,472, or 23% of revenue, the gross profit percentage increased 2% when compared to Fiscal 2016, where the Company earned a Gross profit of $828,068 or 21% of revenue.
- Net loss decreased to $2,463,680, a decrease of $478,132 compared to Fiscal 2016.
- Adjusted net loss decreased to $1,519,549, a decrease of $884,783 compared to Fiscal 2016.
- Adjusted EBITDA margin reached (8%), an increase of 48% compared to Fiscal 2016.
- The Company continued to expand its worldwide distribution network and significantly expanded its production capacity.
- The Company issued common shares under private placement for proceeds of $575,000, issued common shares under rights offering of common shares to existing shareholders for proceeds of $2,653,271 and issued common shares to senior executives for proceeds of $11,660, for total proceeds of $3,239,931.

Fiscal 2016 Highlights

- Revenues reached $3,995,591, an increase of $2,116,564, or 113%, compared to Fiscal 2015.
- Gross profit reached $828,068, or 21% of revenue, the gross profit percentage decreased by 5% when compared to Fiscal 2015, where the Company earned a Gross profit of $496,732 or 26% of revenue.
- Net loss increased to $2,941,812, an increase of $520,772 compared to Fiscal 2015.
- Adjusted net loss increased to $2,404,332, an increase of $185,775 compared to Fiscal 2015.
- Adjusted EBITDA margin reached (56%), an increase of 47% compared to Fiscal 2015.
- The Company has an operating line of credit and drew $710,000 during the year.
- In November of 2016, the Company established a subsidiary in the Free Trade Zone of Dubai, expanding its growing network of distributors across the globe.
- The Company issued common shares under private placement for proceeds of $100,000 and issued common shares under rights offering of common shares to existing shareholders for proceeds of $840,002, for total proceeds of $940,002.

Fiscal 2015 Highlights

- Revenues reached $1,879,027, an increase of $559,573 or 42% when compared to 2014.
- Gross profit reached $496,732, or 26% of revenue, an increase of $43,540, compared to Fiscal 2014, where the Company incurred a Gross profit of $453,192.
- Net loss decreased to $2,421,040, a decrease of $308,804 compared to Fiscal 2014.
- Adjusted net loss decreased to $2,218,557, a decrease of $233,455 compared to Fiscal 2014.
- Adjusted EBITDA margin reached (103%), an increase of 65% compared to Fiscal 2014.
- The Company converted a $200,000 tax credit loan and $70,000 of accrued interest into 13,500,000 common shares.
- The Company issued common shares under private placement for proceeds of $1,111,966, issued common shares under rights offering of common shares to existing shareholders for proceeds of $3,796,424, warrants were issued for proceeds of $314,934 and a repayment of share subscription of $849,600 was made for total proceeds of $4,373,724.

Selected Annual Financial Information

The selected financial information below was derived from the Company's October 31, 2017, 2016 and 2015 financial statements, prepared in accordance with IFRS.

As at	October 31, 2017	October 31, 2016
Financial position		
Cash	**714,855**	**682,300**
Total assets	**9,347,432**	**4,836,830**
Total debt [(1)]	**1,251,609**	**1,310,000**
Shareholders' equity (deficit)	**989,339**	**(297,201)**

(1) Total debt consists of bank indebtedness, term debt and the current and non-current portion of long-term debt.

Year ended October 31,	2017	2016	2015
Loss and comprehensive loss			
Revenue	18,462,971	3,995,591	1,879,027
Net loss	(2,463,680)	(2,941,812)	(2,421,040)
Comprehensive loss[(2)]	(2,771,001)	(2,941,812)	(2,421,040)
Basic and diluted loss per share	(0.01)	(0.01)	(0.05)
Cash flows provided by (used in)			
Operating activities	(2,866,851)	(2,406,244)	(3,244,747)
Investing activities	(111,896)	(62,460)	(4,564)
Financing activities	3,025,562	1,628,841	4,159,641

(2) The Company has changed its functional currency from Canadian dollars to US dollars. The change in functional currency was applied prospectively from November 1, 2016. An adjustment of ($307,321) (nil, in 2016, 2015) is reflected in respective balances, which is the effect of converting the financial statements back to Canadian dollars for financial statement presentation purposes.

Non-IFRS Financial Measures

This section describes the metrics and non-IFRS financial measures used by the Company throughout this MD&A. It also provides the reconciliation between non-IFRS financial measures and the most comparable IFRS financial measures. Non-IFRS financial measures do not have standard definitions prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. Non-IFRS financial measures are provided as additional information to complement IFRS measures by providing further understanding of the Company's results of operations from Management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS.

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

EBITDA is defined as net income or loss before net finance expenses, depreciation and amortization expense and income tax expense. Adjusted EBITDA is defined as EBITDA excluding share-based compensation expenses and items that Management believes do not necessarily arise as part of the Company's normal day-to-day operations and could distort the analysis of trends in business performance. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by Revenue. EBITDA, Adjusted EBITDA and Adjusted EBITDA margin are non-IFRS financial measures. Management believes that EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin are useful measures of financial performance because they allow comparisons with companies that have different capital structures and are more current measures since they exclude the impact of historical investments in assets in current results.
Furthermore, Management believes these measures are useful to assess the Company's ability to seize growth opportunities in a cost-effective manner, to finance its ongoing operations and to meet its commitments.

The reconciliation of net loss to EBITDA, Adjusted EBITDA and then to Adjusted EBITDA margin are as follows:

Year ended October 31,	2017	2016	2015
Revenue	18,462,971	3,995,591	1,879,027
Net loss	(2, 463,680)	(2,941,812)	(2,421,040)
Net financial expenses (income)	(35,005)	135,393	257,912
Depreciation and amortization	64,750	23,924	26,200
Income tax expense	-	-	-
EBITDA	(2,433,935)	(2,782,495)	(2,136,928)
Loss on disposal of fixed assets	2,243	-	-
Share based payments(1)	941,888	537,480	202,483
Adjusted EBITDA	(1,489,804)	(2,245,015)	(1,934,445)
Adjusted EBITDA margin (%)	(8%)	(56%)	(103%)

(1) The share based payments are made up of the following items:

- $340,088 relates to options granted under the stock option plan and $0 relates to options granted outside the stock option plan (compared to $188,087 and $349,393 for 2016 and $202,483 and nil for 2015 respectively).
- $538,490 (compared to nil for 2016, 2015), is the share based compensation expense related to the issuance of 34,400,000, issued under a deferred payment and loan agreement plan in order to finance the purchase of shares. For more details refer to the Note 15 of the Consolidated financial statements of VOTI within "Exhibit C" of the filing statement.
- $63,310 (compared to nil for 2016, 2015), relates to the options being revalued to reflect the incremental value of amendments to the exercise price of certain options. $17,851 relates to options granted under the stock option plan and $45,459 relates to options granted outside the stock option plan, (The Black Scholes model was used for the calculation).

Adjusted net loss and Adjusted loss per share

Adjusted net loss is defined as net loss adjusted for items Management believes do not necessarily arise as part of the Company's normal day-to-day operations and could distort the analysis of trends in business performance. Adjusted loss per share is defined as adjusted net loss divided by the basic weighted average number of common shares outstanding. Adjusted net loss and Adjusted loss per share are non-IFRS financial measures. Management believes that Adjusted net loss and Adjusted loss per share are useful measures of performance that can facilitate period-to-period comparisons as they exclude items that do not necessarily arise as part of the Company's normal day-to-day operations and could distort the analysis of trends in business performance.

The reconciliation of net loss to Adjusted net loss is as follows:

Year ended October 31,	2017	2016	2015
Net loss	(2,463,680)	(2,941,812)	(2,421,040)
Cost of Stock options vesting (1)	340,088	537,480	202,483
Cost of senior executive share issuance (2)	538,490		--
Cost recorded to reflect revaluation of stock options(3)	63,310	-	-
Loss on disposal of fixed assets	2,243	-	-
Adjusted net loss	(1,519,549)	(2,404,332)	(2,218,557)

(1) $340,088 relates to options granted under the stock option plan and $0 relates to options granted outside the stock option plan (compared to $188,087 and $349,393 for 2016 and $202,483 and nil for 2015 respectively).

(2) $538,490 relates to 34,400,000 shares were issued under a deferred payment and loan agreement plan in order to finance the purchase of shares. For more details refer to Notes 13 and 15 of the Consolidated financial statements of VOTI within "Exhibit C" of the filing statement.

(3) The options are revalued to reflect the incremental value of amendments to the exercise price of certain options. $17,851 relates to options granted under the stock option plan and $45,459 relates to options granted outside the stock option plan, for a total of $63,310. The Black Scholes model was used for the calculation.

The reconciliation of basic and diluted loss per share to Adjusted loss per share is as follows:

Year ended October 31,	2017	2016	2015
Basic and diluted loss per share	(0.01)	(0.01)	(0.05)
Impact of adjustments to net loss	0.01	-	-
Adjusted net loss per share	0.00	(0.01)	(0.05)

Results of Operations

The following table sets forth the major components of the Company's statement of loss and comprehensive loss for Fiscal 2017 compared to Fiscal 2016:

Year ended October 31,	2017	2016	Variance	Variance (%)
Revenues	18,462,971	3,995,591	14,467,380	362%
Cost of goods sold	14,212,499	3,167,523	11,044,976	349%
Gross profit	4,250,472	828,068	3,422,404	413%
Gross margin (2)	*23%*	*21%*	*2%*	N/A
General and administrative expenses	2,541,717	1,356,432	1,185,285	87%
Selling and Distribution expenses	2,295,449	852,643	1,442,806	169%
Research and development expenses	970,103	887,932	82,171	9%
Net financial expenses (income)	(35,005)	135,393	(170,398)	(126%)
Share based payments	941,888	537,480	404,408	75%
Net loss	(2,463,680)	(2,941,812)	478,132	16%
Basic and diluted loss per share	(0.01)	(0.01)	-	N/A
Adjusted net loss (3)	(1,519,549)	(2,404,332)	884,783	37%
Adjusted net loss per share (3)	0.00	(0.01)	0.01	N/A

(1) A positive variance/% represents an increase in dollar amount and a negative variance/% represents a decrease in dollar amount.
(2) Gross margin is calculated as Gross profit divided by Revenue and is expressed in percentage terms.
(3) For detailed reconciliations of Net loss to Adjusted net loss and Basic and diluted loss per share to Adjusted loss per share, refer to "Non-IFRS Financial Measures" tables on page 9.

Revenues in 2017 increased by $14,467,380 or 362%, compared to 2016. The increase is primarily due to expansion of the client base and an increase in number of units sold.

Gross profit in 2017 increased by $3,422,404, compared to 2016. The increase is primarily due to expansion of the client base and an increase in number of units sold. The gross margin percentage increased by 2% when compared to 2016.

General and administrative expenses in 2017 increased by $1,185,285 or 87%, compared to 2016. The increase is primarily due to higher wage, consulting and professional costs incurred with minimal increases in travel, office supplies and printing. These additional costs were incurred to support the Company's growth.

Selling and distribution expenses in 2017 increased by $1,442,806 or 169%, compared to 2016. The increase is primarily due to wage increases, as well as increases in shipping, freight, travel, marketing, and customer warranty / training. These additional costs were incurred to support the Company's growth.

Research and development expense in 2017 increased by $82,171 or 9%, compared to 2016. The increase is primarily due to an increase in technology design engineering expenses incurred to build new prototypes.

When compared to 2016, Net finance expenses (income) went from a charge to income in 2017, with a positive variance of 126% or increase of $170,398.

Share based payments in 2017 increased by $404,408 or 75%, compared to 2016. The increase is primarily due to the issuance of 34,000,000 common stock to senior executives under deferred payment and loan agreements, representing $538,490

Net loss in 2017 decreased by $478,132 compared to 2016. The decrease is primarily due to an increase in revenue, offset by the increase in general & administrative, selling & distribution and equity financing costs incurred.

The following table sets forth the major components of the Company's statement of loss and comprehensive loss for Fiscal 2016 compared to Fiscal 2015:

Year ended October 31,	2016	2015	Variance	Variance (%)
Revenues	3,995,591	1,879,027	2,116,564	113%
Cost of goods sold	3,167,523	1,382,295	1,785,228	129%
Gross profit	828,068	496,732	331,336	67%
Gross margin	*21%*	*26%*	*(5%)*	N/A
General and administrative expenses	1,356,432	960,207	396,225	41%
Selling and Distribution expenses	852,643	960,016	(107,373)	(11%)
Research and development expenses	887,932	537,154	350,778	65%
Net finance expenses	135,393	257,912	(122,519)	(48%)
Share based payments	537,480	202,483	334,997	165%
Net loss	(2,941,812)	(2,421,040)	(520,772)	(22%)
Basic and diluted loss per share	(0.01)	(0.05)	0.04	N/A
Adjusted net loss (3)	(2,404,332)	(2,218,557)	(185,775)	(8%)
Adjusted loss per share (3)	(0.01)	(0.05)	0.04	N/A

(1) A positive variance/% represents an increase in dollar amount and a negative variance/% represents a decrease in dollar amount.
(2) Gross margin is calculated as Gross profit divided by Revenue and is expressed in percentage terms.

(3) For detailed reconciliations of Net loss to Adjusted net loss and Basic and diluted loss per share to Adjusted loss per, refer to "Non-IFRS Financial Measures" table on page 9.

Revenues in 2016 increased by $2,116,564 or 113%, compared to 2015. The increase is primarily due to expansion of the client base and an increase in number of units sold.

Gross profit in 2016 increased by $331,336, compared to 2015. The increase is primarily due to expansion of the client base and an increase in number of units sold. The gross margin percentage decreased by 5% when compared to prior year.

General and administrative expenses in 2016 increased by $396,225 or 41%, compared to 2015. The increase is primarily due and higher wage, consulting and travel costs incurred to support the Company's growth.

Selling and distribution expenses in 2016 decreased by $107,373 or 11%, compared to 2015. The decrease is primarily due to a reduction in distribution and marketing costs, and a portion of the costs incurred in 2015 relate to the creation of a subsidiary in Dubai, which were non-reoccurring.

Research and development expenses in 2016 increased by $350,778 or 65%, compared to 2015. The increase is primarily due to higher wage, consulting and non-reoccurring production costs incurred to support the Company's growth. In addition, the research and development tax credits that reduce the research and development costs were 27% lower than in the prior year.

Net finance expenses in 2016 decreased by $122,519 or 48%, compared to 2015. The decrease is primarily due to lower interest charges on outstanding debt with an increase in foreign exchange gains recognized in 2016.

Share based payments in 2016 increased by $334,997 or 165%, compared to 2015. The increase is due to a larger amount of stock options granted and vesting in 2016 when compared to 2015.

Net loss in 2016 increased by $520,772 compared to 2015. The increase is primarily due to an increase in general & administrative, research and development share based payment costs incurred, offset by an increase in gross profit.

Financial Position

The following table provides an analysis of the Company's statement of financial position as at October 31, 2017 as compared to 2016:

As at	October 31, 2017	October 31, 2016	Variance
Total Assets	**9,347,432**	**4,836,830**	**4,510,602**
Variance mainly due to:			
Trade and other receivables	3,064,555	1,092,782	1,971,773
Inventories	4,758,860	2,017,802	2,741,058
Deposits	122,831	470,818	(347,987)
Property and equipment	144,840	74,831	70,009
Total Liabilities	**8,358,093**	**5,134,031**	**3,224,062**
Variance mainly due to:			
Trade payables and accrued liabilities	3,629,402	2,012,023	1,617,379
Customer deposits	3,273,717	1,608,788	1,664,929
Total Shareholders' Equity (Deficit)	**989,339**	**(297,201)**	**1,286,540**
Variance mainly due to:			
Share capital	18,616,079	15,500,426	3,115,653
Stock option reserve	3,604,678	2,662,790	941,888
Currency Translation Adjustment	(307,321)	-	(307,321)
Deficit	(21,014,395)	(18,550,715)	(2,463,680)

Trade and other receivables increased by $1,971,773 as at October 31, 2017 when compared to 2016, this is a direct result of the increase in revenue.

Inventories increased by $2,741,058 as at October 31,2017 when compared to 2016 due to an increase in carrying requirements resulting from actual and projected sales orders. Finished goods represents 61% of the variance, the remaining relates to raw materials and work in progress.

Deposits decreased by $347,987 as at October 31, 2017 when compared to 2016, the variance is the effect of timing of prepayments made to suppliers.

Property and equipment increased by $70,009 as at October 31,2017 when compared to 2016 primarily due to additions made to the computer equipment.

Trade payable and accrued liabilities increased by $1,617,379 as at October 31, 2017 when compared to 2016, mainly due to an increase in trade payable of $840,575 and $798,846 increase in bonus payable. This is directly related to higher revenues and a larger compensation expense.

Customer deposits increased by $1,664,929 as at October 31, 2017 when compared to 2016 due to the increase in customer activity.

Share capital increased by $3,115,653 as at October 31, 2017 when compared to 2016 due to issuance of common shares. The Company issued common shares under private placement for proceeds of $575,000, common shares under rights offering of common shares to existing shareholders for proceeds of $2,653,271 and common shares to senior executives for proceeds of $11,660, issuance costs totaled $124,278 for a net increase of $3,115,653.

Stock option reserve increased by $941,888 as at October 31, 2017 when compared to 2016 due to the following: $340,088 of stock options vested, $538,490 related to senior executive share issuance, $63,310 was the cost recorded to reflect revaluation of options.

The Company has changed its functional currency from Canadian dollars to US dollars. The change in functional currency was applied prospectively from November 1, 2016. The foreign exchange loss of $307,321 is the effect of converting the financial statements back to Canadian dollars for financial statement presentation purposes.

Deficit increased by $2,463,680 as at October 31, 2017 compared to 2016 due to the net loss incurred for the year then ended.

Liquidity and Capital Resources

***Capital management*.**

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its organic growth, to establish a strong capital base so as to maintain investors, creditors and to provide an adequate return to shareholders. To fund its activities, the Company has relied on cash flows from operations as well as its financial resources, which include cash balance, credit facility, term loan, private placements of its common shares and the issuance of convertible notes. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth.

Cash flows

A summary of net cash flows by activity for Fiscal 2017 compared to Fiscal 2016 is presented below:

Year ended October 31,	2017	2016	Variance
Net cash used in operating activities	(2,866,851)	(2,406,244)	(460,607)
Net cash used in investing activities	(111,896)	(62,460)	(49,436)
Net cash from financing activities	3,025,562	1,628,841	1,396,721
Net change in cash	46,815	(839,863)	886,678
Net effect of foreign exchange rate changes on cash and cash equivalents	(14,260)	0	(14,260)
Cash, beginning of year	682,300	1,522,163	(839,863)
Cash, end of year	714,855	682,300	32,555

Net cash used in operating activities in Fiscal 2017 increased by $460,607 when compared to Fiscal 2016. One of the main drivers of cash flow from operations is the increase in inventory level, this represents an increase in cash outflow of $1,411,129, offset by an increase in cash inflow from share based payments $404,408 and a decrease in net loss for the year of $478,132.

Net cash used in investing activities in Fiscal 2017 increased slightly by $49,436 when compared to Fiscal 2016 primarily as a result of additions in computer equipment.

Net cash provided by financing activities in Fiscal 2017 increased by $1,396,721 compared to Fiscal 2016. The increase is primarily caused by the following: the issuances of common shares which resulted in a net increase of $2,196,812 and offset by a decrease in cash flow from bank indebtedness of $790,152.

Other cash considerations

Term Debt

The Company had a Term loan of $600,000 outstanding as at October 31, 2017 and October 31, 2016, the loan was bearing interest at 12% and it was secured by a movable hypothec. This loan was paid in full on December 5, 2017.

Bank Indebtedness & Letters of guarantee

The Company has an available operating line of credit of $250,000, and a $500,000 demand facility to cover operating expenses for future export contracts. Amounts drawn under these facilities bear interest at 4.5% above the bank's prime rate for Canadian currency and at 3.70% above the bank's prime rate for American currency and are repayable on demand.

The facilities are secured by a moveable hypothec of $750,000 constituting a security interest on the universality of all present and future assets. The aggregate borrowings outstanding are guaranteed by Export Development Canada (EDC) up to 75%.

The Company has also a non-revolving demand facility of $300,000 for day-to-day banking business operations. Amounts drawn under this facility bears interest at 4.5% above the bank's prime rate and is repayable on demand.

The facility is secured by a moveable hypothec of $300,000 constituting a security interest on the universality of all present and future accounts receivable, having a carrying value of $4,165,588 ($521,411 in October 31, 2016).

The Company has a revolving demand facility of $276,000 for letters of guarantee in Canadian or American currency and is repayable on demand. The facility is secured by performance security guarantee issued by EDC for each letter of guarantee issued.

As at October 31, 2017, there was an amount of $629,848 ($710,000 in October 31, 2016) drawn under the facilities and there were letters of guarantee denominated in U.S. dollars totaling $257,860 in Canadian dollars equivalent ($268,220 in October 31, 2016).

These facilities are to be reviewed periodically and, with respect to the facilities, the Company must respect certain covenants and ratios including total liabilities to tangible net worth of not greater than 3:1. The Company was in default of the covenants as at October 31, 2017 (was in default in October 31, 2016). Subsequent to year-end, the creditor has acknowledged, in writing, the default and the plan of the Company to remedy such default on or before October 31, 2018.

Income tax losses and unused research and development expenditures carried forward

The Company has accumulated the following losses for income tax purposes which may be carried forward to reduce federal and provincial taxable income in future years, and will expire as follows:

	Federal	Provincial
2028	142,046	183,822
2029	314,610	356,076
2030	1,147,430	1,180,620
2031	1,586,034	1,602,465
2032	2,932,235	2,904,519
2033	1,436,082	1,425,905
2034	2,546,536	2,488,710
2035	2,482,556	2,482,535
2036	1,884,832	1,884,830
2037	1,266,823	1,266,822
	15,739,184	15,776,304

In addition, the Company has available unused research and development expenditures for federal and provincial income taxes purposes of $1,491,000 and $1,953,000, respectively. These expenses are available to reduce taxable income of future years

As at October 31, 2017, a deferred income tax asset has not been recognized on deductible temporary differences of $16,921,822 as the Company has assessed that it will not be able to use these assets in the foreseeable future. At each successive consolidated statement of financial position date, the Company will re-assess if it is more likely than not that this asset meets the criteria for recognition.

Selected Quarterly Information

The table below presents revenue, net income (loss) and net earnings (loss) per share for the last eight quarters:

	Revenue	Net income (loss)	Basic and diluted income (loss) per share	Adjusted net income (loss)	Adjusted net income (loss) per share
July 31, 2018	4,974,879	(1,062,031)	(0.00)	(597,611)	(0.00)
April 30, 2018	4,163,634	(647,867)	(0.00)	(453,850)	(0.00)
January 31, 2018	8,399,963	1,446,034	0.00	1,639,915	0.00
October 31, 2017	8,982,694	1,351,953	0.00	1,428,905	0.00
July 31, 2017	2,913,195	(2,376,641)	(0.01)	(1,710,249)	(0.00)
April 30, 2017	2,950,871	(931,856)	(0.00)	(829,696)	(0.00)
January 31, 2017	3,616,211	(507,136)	(0.00)	(408,509)	(0.00)
October 31, 2016	1,815,909	(1,897,201)	(0.01)	(1,815,215)	(0.01)

Trends and Seasonality

Industry Trends

Despite the billions of dollars spent on R&D since the events of 9/11, no competing technology has proven to be more effective than the X-ray for non-intrusive security inspection. What has become evident is that X-ray technology should not be viewed as a stand-alone solution, but rather integrated into a comprehensive security program.

As a result of increased threat levels from terrorism and criminal activity, the global detection market is resilient and growing. According to Research and Markets, the global detection market is expected to grow at a 7.3% CAGR and is forecasted to reach US$5.3 billion by 2022.

Based on data from the Homeland Security Research Corporation, the X-ray screening market is forecasted to grow at a 6.7% CAGR and is expected to reach a market size of US$2.5 billion by 2021. It is interesting to note that non-airport verticals represent 80% plus of the market which includes the secured perimeters and buildings vertical which is expected to account for approximately 40% of the market moving forward.

VOTI Trends

The markets in which VOTI operates are highly competitive and are characterized by evolving customer needs and rapid technological change. The global detection system market is relatively concentrated, marked by four main global players who are diversified systems and solutions providers. Competition is based primarily on such factors as product performance, functionality and quality, the overall cost effectiveness of the system solution, prior customer relationships, technological capabilities of the products, price, local market presence, and breadth of the Company's sales and service organization. VOTI's principal competitors in the global detection market are OSI Systems, Inc., Smiths Group plc, Nuctech Company Limited and L3 Technologies, Inc.

VOTI believes that its competitive advantage is its best in class solution and 3D technology that produces sharp and superior X-ray images while delivering enhanced threat detection capabilities and a unique user-friendly experience. A large segment of the global market is served by legacy providers who support fleet deployments of security scanners. The transition to innovative technologies complicates the management of these fleets. The VOTI advantage becomes evident to the end-users of the technology and it becomes evident that the benefits of the VOTI value proposition far outweigh the complications of integrating new technology into their existing fleet.

Seasonality

A significant portion of VOTI's clients are in the public sector, government spending is driven by budgets and will impact the revenue stream. VOTI will see increased revenue in the first and last quarter of their fiscal year as contract awards and availability of funding are influenced by government's budget cycle.

VOTI has a newly established subsidiary in Dubai which services the Middle Eastern market. The Islamic holy month of Ramadan is observed by many, during this time period business negotiations can be slowed. Ramadan dates vary from year to year and in the last years it was been held between May - July. This annual event will have an impact on the revenue, VOTI will see increased revenue in the first and last quarter of the year as contract negotiation return to a normal pace.

Dividend Policy

Since its incorporation, the Company has not paid any dividend on its common shares. The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends is at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors of the Company may deem relevant.

Financial Risk Management

Liquidity Risk

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company is subject to liquidity risk on its accounts payable which arise from its daily operations, bank indebtedness, and term debt. The Company manages its liquidity risk by monitoring its operating requirements. The Company prepares budgets and cash forecasts to ensure that it has sufficient funds to fulfill its obligations, as well as ensuring adequate funds exist to support the execution of business strategies and operational growth.

The following are amounts due on contractual maturities of financial liabilities, as well as commitments with respect to operating leases, as at October 31, 2017:

	Carrying amount	Contractual Cash flows	Less than 1 year	2 to 5 years	More than 5 years
Bank indebtedness (1)	629,848	629,848	629,848	-	-
Accounts payable and accrued liabilities	3,629,402	3,629,402	3,629,402	-	-
Term debt(2)	600,000	600,000	600,000	-	-
Obligations under finance leases	21,761	23,148	11,574	11,574	-
Obligations under operating leases	-	1,303,072	302,515	682,547	318,010

(1) The operating line of credit bears interest at prime+4.5% on Canadian dollars and prime+3.7% on US dollars outstanding.
(2) The term debt bears interest at 12%, the loan was paid in full in December 5, 2017.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to cash, term deposits and accounts receivable from the potential default by counterparties that hold the Company's cash. The Company mitigates the credit risk for cash by dealing only with large financial institutions with good credit ratings.

The Company performs ongoing credit evaluations of customers and generally does not require collateral. Allowances are maintained for potential credit losses. It is reasonably possible that the actual amount of loss incurred, if any, will differ from management's estimate. The maximum exposure to the credit risk is the full carrying value of cash and accounts receivable.

Concentration of credit risk with respect to these accounts is significant due to the fact that approximately 64% of accounts receivable was derived from one customer (55% in 2016).

The average credit period on sales is 30 to 90 days. Allowances for doubtful accounts are recognized against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterpart's current financial position.

Pursuant to their respective terms, trade accounts receivable for which the Company has not recognized an allowance for doubtful accounts are aged as follows:

	2017	2016
	$	$
0-30 days	**1,488,145**	347,843
31-60 days	**1,050,732**	126,319
61-90 days	**2,441**	258,465
91-120 days	**70,528**	30,498
	2,611,846	763,125

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Each of these risks is discussed hereunder.

Currency risk

The Company is exposed to currency risks due to sales and purchases denominated in foreign currency. The risk however is mitigated due to the fact that although the Company generates a portion of sales in foreign currency, a certain portion of its purchases is also in that foreign currency.

The consolidated statements of financial position includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in a currency other than the functional currency, namely Canadian dollars:

	2017 **$**
Trade and other receivables	**917,768**
Bank overdraft	**91,244**
Accounts payable and accrued	**2,706,591**
	3,715,603

In 2017, a variation of 10% of the Canadian dollar against the U.S. dollar would have an impact of $170,915 on profit and loss.

Interest rate risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates. The Company has bank loans available at variable interest rates; therefore, it is exposed to future cash flow risk as a result of potential rate fluctuations. The Company has term debt available at a fixed interest rate; therefore, it is exposed to fair value risk as a result of potential rate fluctuations. There has been no change to the Company's exposure to interest rate risk since the previous period.

In 2017, a variation of 50 basis points while holding all other variables constant would have an impact of $3,149 ($3,550 in 2016) on profit and loss.

Fair values

Financial assets and financial liabilities are measured on an ongoing basis at amortized cost. The disclosures in the "Financial instruments" section of note 2 describe how the categories of financial instruments are measured and how income and expenses are recognized.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. Accordingly, the estimated fair values are not necessarily indicative of the amounts the Company could realize or would pay in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

Level 1 – This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

Level 2 – This level includes valuations determined using directly (i.e., as prices) or indirectly (i.e., derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

Level 3 – This level includes valuations based on inputs that are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

The fair values of cash, term deposits, trade and other receivables, bank indebtedness, trade payables and accrued liabilities and term debt approximate their carrying values (level 2).

Other price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk and currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company does not believe that it is exposed to any significant price risk.

Additional Financing Requirements

As a result of realized and anticipated growth in the Company's customer base, management expects that the Company will require additional debt or equity financing in the future to realize the goals outlined in the "Financial Outlook" section of this MD&A. For information regarding to completed or pending financing occurring after October 31, 2017, including the new banking arrangements, issuances of shareholder loan, issuance of convertible debt, and the proposed reverse takeover transaction and private placement, refer to the "Subsequent Events" section of this MD&A.

Financial Instruments

Investment Policy

The Company invests its excess cash with varying terms to maturity selected with regard to the expected timing of investments or expenditures for continuing operations.

Derivatives

The Company did not enter into derivative contracts for the years ended October 31, 2017, 2016 and 2015.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of obligations under operating leases which are disclosed in the Commitment and contingencies Note 22 of its audited annual financial statements for the year ended and as at October 31, 2017. The Company does not currently have any other off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the Company's financial condition, changes in revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material.

Related Party Transactions

The following transactions took place in the normal course of business. These transactions are measured at the exchange amount, which is the amount of consideration determined and agreed to by the related parties. During the years ended October 31, 2017 and October 31, 2016, the trade payable and accrued liabilities balance includes $255,000 ($31,000 for fiscal 2016) that was owed to key management personnel.

The Company made payments to key management personnel. Key management personnel includes the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Technology Officer and the executive vice-presidents who are members of the Management Committee.

The remuneration of directors and other key management personnel during the year was as follows:

	2017	2016	2015
	$	$	$
Short-term benefits	**1,506,011**	603,274	315,772
Share-based payments	**710,864**	424,116	80,379

Outstanding Share Data

At October 31, 2017, the Company has 479,697,387 common shares issued and outstanding, 240,000 warrants convertible on a one-for one basis into common shares and 78,329,049 stock options outstanding.

Segment Reporting

The Company has determined that it has only one reportable operating segment, the development and marketing of security screening systems. This single operating segment generates revenues from the sale of these products and from rendering services related to the sale of these products. Sales are attributed to the geographic segment based on the location where the Company has transferred the significant risks and rewards of ownership of the goods to the buyer. The geographic segment of long-term assets are based on the locations of the assets.

The following table summarizes revenue by geography for the year ended

	2017	2016	2015
Canada	**15,174,681**	2,552,382	1,879,027
United Arab Emirates	**3,288,290**	1,443,209	-
	18,462,971	3,995,591	1,879,027

The following table summarizes non-current asset information by geography for the year ended:

	2017	2016
	$	$
Canada	**127,169**	89,275
United Arab Emirates	**22,698**	1,502
	149,867	90,777

Critical Accounting Estimates

Preparing financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgments about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are periodically reviewed. Any change to accounting estimates is recognized in the period in which the estimate is revised.

In the process of applying the Company's accounting policies, management has made the following judgments, estimates and assumptions that have had the most significant impact on the amounts recognized in these consolidated financial statements.

Research and development tax credits receivable

Estimation of the research and development tax credits receivable requires management to make judgments, estimates and assumptions including those related to the eligibility of certain expenditures to tax credits. The tax credits are subject to audit by tax authorities and could affect the Company's future results if the current judgments, estimates and assumptions are changed.

Share-based payments

The calculation of the fair value of common shares, stock options and warrants granted require management to make estimates and assumptions about the fair value of the underlying common shares of the Company, expected volatility, expected life and expected forfeiture rates, which could affect the Company's results if the current estimates change.

Valuation of inventory

Management makes estimates of the future customer demand for products when establishing appropriate provisions for inventory. In making these estimates, management considers the product life of inventory and the profitability of recent sales of inventory. To the extent that actual losses on inventory differ from those estimated, inventory, net income and comprehensive income will be affected in future periods.

Warranties

Management makes estimates of costs to be incurred to honor maintenance and repairs under warranties offered on products sold. In making these estimates, management relies on past experience. The Company's results could be affected to the extent that actual costs of warranties differ from those estimated.

Change in significant accounting policies

Change in Functional currency

The functional currency of the parent Company and all its subsidiaries is the U.S. dollar, which is the primary economic environment in which the entities operate. The functional currency of the Company changed to U.S. dollar from Canadian dollar on November 1, 2016 based on management's analysis of the changes in the primary economic environment in which the Company operates. The change in functional currency is applied prospectively from November 1, 2016.

To calculate the impact of the change in functional currency, for periods prior to November 1, 2016, revenue and expense transactions were translated into U.S. dollar at average exchange rates during the period, and assets and liabilities were translated at end of period exchange rates, except for equity transactions, which were translated at historical exchange rates. The impact of the translation on November 1, 2016 are included as part of the cumulative translation adjustment, which is reported as a component of shareholders' equity (deficit).Revenues, expenses and non-monetary assets and liabilities denominated in foreign currencies are recorded at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the financial position date. Translation gains (losses) are reflected in the consolidated statement of loss and comprehensive loss as foreign exchange gain (loss).

The Company uses the Canadian dollar as its presentation currency to provide more relevant information to its users.

Translation to presentation currency

The consolidated financial statements of the Company are translated from their functional currency to Canadian dollar, the presentation currency. Assets and liabilities are translated at the closing exchange rate prevailing at the financial position date, and income and expenses are translated using the average exchange rates. The accumulated gains or losses arising from translation of functional currencies to the presentation currency are included as a separate component of other comprehensive income (OCI).

Recent Accounting Pronouncements

Standards, interpretations and amendments issued but not yet effective
IFRS 9, "Financial Instruments" ("IFRS 9"), partially replaces the requirements of IAS 39, "Financial Instruments: Recognition and Measurement". This standard addresses the classification and measurement of financial assets and liabilities, provides a new impairment model for the recognition of expected credit losses and provides a new hedge accounting model. IFRS 9 is required to be applied for annual reporting periods beginning on January 1, 2018 or after. The Company will not be early adopting IFRS 9. IFRS 9 is not expected to have a significant impact on the consolidated financial statements of the Company.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") replaces IAS 11, "Construction Contracts", and IAS 18, "Revenue", as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018. IFRS 15 is not expected to have a significant impact on the consolidated financial statements of the Company.

IFRS 16, "Leases" ("IFRS 16"), replaces IAS 17, "Leases". This standard provides a single model for leases, abolishing the current distinction between finance and operating leases, with most leases being recognized in the consolidated statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. Management continues to evaluate the impact this standard will have on its consolidated financial statements.

In December 2016, the IASB issued IFRIC 22, "Foreign Currency Transactions and Advance Consideration" (IFRIC 22), which addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is in the process of evaluating the impact of adopting the interpretation of IFRIC 22 on its consolidated financial statements.

Subsequent Events

Operation line of credit

In addition, the operating line of credit of $250,000, and a $500,000 demand facility described in the Note 9 were increased to $500,000 and $1,000,000, respectively. The new facilities are secured by a moveable hypothec of $3,000,000 constituting a security interest on the universality of all present and future assets. The aggregate borrowings outstanding are guaranteed by EDC up to 75%to cover operating expenses for future export contracts. In September 2018, the operating line of credit was temporarily increased by an additional $500,000.

Issuance of Long-term debt

Subsequent to the year-end, the Company secured a new long-term debt for an amount of $712,000, bearing interest at 11.2% compounded monthly. The loan is based on R&D tax credits for 2017 and 2018 fiscal years, secured by a movable hypothec on the universality of movable property for an amount of $800,000, plus an additional amount of 20%, and bearing interest at the rate of 20% per annum as well as a guarantee from the companies under common control. The loan shall be due 18 months after the end of the fiscal year which the tax credits are financed.

.

In August 2018, the Company received a loan from a shareholder in the amount of $1,600,000. The terms of the loan include a placement fee of 1.5% and interest at 1% per month.

Issuance of convertible debentures

In April 2018, the company completed a $2,575,000 convertible debt financing which bears a coupon of 12% per annum before events of conversion or the maturity of the note after 36 months.

Issuance of stock options

The Company granted 59,728,363 stock options to its employees and directors with a weighted average exercise price of $0.02 under terms of its stock option plan and 1,750,000 stock options outside the stock option plan with a weighted average exercise price of $0.02. 13,874,510 vest upon performance conditions being met, and the 1,750,000 stock options issued from outside the stock option plan fully vest on grant.

Proposed reverse takeover transaction and private placement

VOTI Inc. ("VOTI") and Steamsand Capital Corp. ("Steamsand") have proposed entering into an Amalgamation Agreement ("Amalgamation"), between VOTI, Steamsand and Steamsand Subco, a wholly-owned subsidiary of Steamsand Capital Corp., pursuant to which VOTI and Steamsand Subco will agree to amalgamate. The Amalgamation is being structured as a three-cornered amalgamation which will result in the amalgamated company being the operating subsidiary of Steamsand upon the completion of the Amalgamation. The original shareholders of VOTI and the holders of the subscription receipts (see below) will represent 98% ownership of the resulting issuer, therefore this transaction will be considered as a reverse take-over (RTO) of Steamsand by VOTI and is expected to close prior to October 31, 2018.

In August 2018, VOTI completed a private placement of 3,080,991 subscription receipts at a price of $3.00 per subscription receipt for aggregate gross proceeds of approximately $9,200,000 less issuance costs. Each subscription receipt will be exchanged, subject to the completion of the RTO, into one post-RTO common share and one post-RTO half of a common share purchase warrant of VOTI.

Prior to the closing date of the RTO, VOTI intends to convert all outstanding stock options into common shares by way of a cashless exercise and simultaneously complete an approximate 30.7:1 consolidation of its common shares.

Business Risks

Please refer to the risk factors described under the section of this Filing Statement entitled "Part I – Risk Factors"