Management's Discussion and Analysis of

VOTI INC.

For the three-month and nine-month periods ended July 31, 2018.

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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 July 31, 2018 and October 31, 2017 and operating results of the Company for the three-month and nine-month periods ended July 31, 2018. This MD&A was prepared on October 5, 2018 with information available at this date. All references in this MD&A 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, 2017 and the interim condensed financial statements for the three-month and nine-month periods ended July 31, 2018 and 2017. All amounts herein are expressed in Canadian dollars (unless otherwise indicated). The Company's interim condensed consolidated financial statements for the three-month and nine-month period ended July 31, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting and using the same accounting policies as those described in the Company's annual consolidated financial statements for the year ended October 31, 2017. The Company's annual consolidated financial statements for the year ended October 31, 2017 were prepared in compliance 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 the 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.

2018 Highlights

Three-month period ended July 31, 2018

- Revenues reached $4,974,879, an increase of $2,061,684 or 71% when compared to the corresponding period of fiscal 2017.
- The Company sold 134 security scanning units during the three-month period ended July 31, 2018 compared to 117security scanning units sold during the three-month period ended July 31, 2017.
- Gross profit reached $1,556,709 or 31% of revenue, an increase of $1,728,622 or 37% when compared to the corresponding period of fiscal 2017, when the Company experienced a negative Gross profit of ($171,913) or (6%) of revenue.
- Net loss decreased to $1,062,031, a decrease of $1,314,610 when compared to the corresponding period of fiscal 2017.
- Adjusted net loss decreased to $597,611, a decrease of $1,112,638 when compared to the corresponding period of fiscal 2017.
- Adjusted EBITDA margin improved to (10%), an increase of 41% when compared to the corresponding period of fiscal 2017.

Nine-month period ended July 31, 2018

- Revenues reached $17,538,476, an increase of $8,058,199, or 85%, when compared to the corresponding period of fiscal 2017.
- The Company sold 470 security scanning units during the nine-month period ended July 31, 2018 compared to 287security scanning units sold during the nine-month period ended July 31, 2017.
- Gross profit reached $6,532,713, or 37% of revenue, an increase of 21% when compared to the corresponding period of fiscal 2017, when the Company earned a Gross profit of $1,537,388 or 16% of revenue.
- Net loss decreased to $263,864, a decrease of $3,551,769 when compared to the corresponding period of fiscal 2017.
- Adjusted net loss increased to an Adjusted net income position of $588,454, an increase of $3,522,998 when compared to the corresponding period of fiscal 2017.
- Adjusted EBITDA improved to 5%, an increase of 33% when compared to the corresponding period of fiscal 2017.

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 and comprehensive loss to EBITDA, Adjusted EBITDA and then to Adjusted EBITDA margin are as follows:

	Three-month periods ended July 31		Nine-month periods ended July 31	
	2018	2017	2018	2017
Revenue	4,974,879	2,913,195	17,538,476	9,480,277
Net loss	(1,062,031)	(2,376,641)	(263,864)	(3,815,633)
Net finance expenses(1)	79,025	214,654	223,306	220,504
Depreciation and amortization	21,531	12,238	58,678	43,084
Income tax expense	-	-	-	-
EBITDA	(961,475)	(2,149,749)	18,120	(3,552,045)
Loss on disposal of fixed assets	-	-	-	13,910
Share based payments(2)	376,341	666,392	764,239	867,179
RTO expenses(3)	88,079	-	88,079	-
Adjusted EBITDA	(497,055)	(1,483,357)	870,438	(2,670,956)
Adjusted EBITDA margin (%)	(10%)	(51%)	5%	(28%)

(1) The Net finance expenses consist of interest and bank charges and foreign exchange gain and losses.

(2) The share based payments are made up of the following items;

a. Share based payments related to vesting of options granted under the stock plan, as well as those granted outside the plan.

b. Share based payments related to the options being revalued to reflect the incremental value of amendment to the exercise price of certain options.

c. Share based compensation expense related to the issuance of common shares.

(3) The reverse takeover ("RTO") expenses consist primarily of legal and professional service fees.

Adjusted net income (loss) and Adjusted net income (loss) per share

Adjusted net income (loss) is defined as net income (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 net income (loss) per share is defined as adjusted net income (loss) divided by the basic weighted average number of common shares outstanding. Adjusted net income (loss) and Adjusted net income (loss) per share are non-IFRS financial measures. Management believes that Adjusted net income (loss) and Adjusted net income (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 income (loss) to Adjusted net income (loss) is as follows:

	Three-month periods ended July 31		Nine-month periods ended July 31	
	2018	2017	2018	2017
Net income (loss)	(1,062,031)	(2,376,641)	(263,864)	(3,815,633)
Loss on disposal of fixed assets	-	-	-	13,910
Share based payments(1)	376,341	666,392	764,239	867,179
RTO expenses (2)	88,079	-	88,079	-
Adjusted net income (loss)	(597,611)	(1,710,249)	588,454	(2,934,544)

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

a. Share based payments related to vesting of options granted under the stock plan, as well as those granted outside the plan.
b. Share based payments related to the options being revalued to reflect the incremental value of amendment to the exercise price of certain options.
c. Share based compensation expense related to the issuance of common shares.

(2) The reverse takeover ("RTO") expenses consist primarily of legal and professional service fees.

The reconciliation of basic and diluted net income (loss) per share to Adjusted net income (loss) per share is as follows:

	Three-month periods ended July 31		Nine-month periods ended July 31	
	2018	2017	2018	2017
Basic and diluted net income (loss) per share	(0.00)	(0.01)	(0.00)	(0.01)
Impact of adjustments to net income (loss)	-	0.01	-	-
Adjusted net income (loss) per share	(0.00)	(0.00)	0.00	(0.01)

Results of Operations

The following table sets forth the major components of the Company's statement of loss and comprehensive loss for the three-month period ended July 31, 2018 compared to the corresponding period of 2017:

Three-month period ended July 31,	2018	2017	Variance	Variance (%)
Revenues	4,974,879	2,913,195	2,061,684	71%
Cost of goods sold	3,418,170	3,085,108	333,062	11%
Gross profit (loss)	1,556,709	(171,913)	1,728,622	1006%
Gross margin (2)	*31%*	*(6%)*	*37%*	N/A
General and administrative expenses	933,681	643,925	289,756	45%
Selling and distribution expenses	869,295	381,281	488,014	128%
Research and development expenses	360,398	298,476	61,922	21%
Net finance expenses	79,025	214,654	(135,629)	(63%)
Share based payments	376,341	666,392	(290,051)	(44%)
Net loss for the period	(1,062,031)	(2,376,641)	1,314,610	55%
Basic and diluted loss per share	(0.00)	(0.01)	0.01	N/A
Adjusted net income (loss) (3)	(597,611)	(1,710,249)	1,112,638	65%
Adjusted net Income (loss) per share (3)	(0.00)	(0.00)	-	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 income (loss) and Basic and diluted income (loss) per share to Adjusted income (loss) per share, refer to "Non-IFRS Financial Measures" tables on page 8.

Revenues reached $4,974,879, an increase of $2,061,684 or 71% when compared to the corresponding period of fiscal 2017 when revenues were $2,913,195. The increase is primarily due to the expansion of the client base and an increase in number of units sold.

Gross profit reached $1,556,709, or 31% of revenue, an increase of $1,728,622 or 37% when compared to the corresponding period of fiscal 2017. The increase is primarily due to the significant increase in sales from an expansion of the client base, a higher utilization of production facilities and increased efficiencies in the manufacturing process as a result of the increase in the number of units sold.

General and administrative expenses increased by $289,756 or 45%, when compared to the corresponding period of fiscal 2017. The increase is primarily due to an increase in administrative salary of $89,378, an increase in travel costs of $55,047, as well as increased professional fees of $3,516, office expenses of $16,098 and telecommunication expenses of $9,614. These additional costs were incurred to support the Company's growth.

Selling and distribution expenses increased by $488,014 or 128%, when compared to the corresponding period of fiscal 2017.The increase is primarily due to the increased number of sales personnel and consultants to support the Company's growth.

Research and development expenses increased by $61,922 or 21%, when compared to the corresponding period of fiscal 2017. The increase is primarily due to the Company increasing its production of prototypes and product enhancements which increased the number of personnel and their corresponding additional costs by $203,595. Higher personnel costs were offset by increased R&D tax credits of $157,631.

Net finance expenses decreased by $135,629, or 63%, when compared to the corresponding period of fiscal 2017. The decrease is mainly attributable to lower interest costs as compared to the previous period in 2017.

Share based payments decreased by $290,051 or 44%, when compared to the corresponding period of fiscal 2017, primarily resulting from the issuance of common stock to senior executives of 34,400,000 shares with an associated cost of $538,490.

Net loss decreased by $1,314,610 when compared to the corresponding period of fiscal 2017. The decrease is primarily due to an increase in gross profit, offset by the increase in other operating costs noted above.

The following table sets forth the major components of the Company’s statement of loss and comprehensive loss for the nine-month period ended July 31, 2018 compared to the corresponding period of 2017:

Nine-month period ended July 31,	2018	2017	Variance	Variance (%)
Revenues	17,538,476	9,480,277	8,058,199	85%
Cost of goods sold	11,005,763	7,942,889	3,062,874	39%
Gross profit	6,532,713	1,537,388	4,995,325	325%
Gross margin (2)	*37%*	*16%*	*21%*	N/A
General and administrative expenses	2,510,443	1,609,024	901,419	56%
Selling and distribution expenses	2,369,953	1,836,703	533,250	29%
Research and development expenses	928,636	819,611	109,025	13%
Net finance expenses	223,306	220,504	2,802	1%
Share based payments	764,239	867,179	(102,940)	(12%)
Net loss	(263,864)	(3,815,633)	3,551,769	93%
Basic and diluted loss per share	(0.00)	(0.01)	0.01	N/A
Adjusted net income (loss) (3)	588,454	(2,934,544)	3,522,998	120%
Adjusted net Income (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 income (loss) and Basic and diluted income (loss) per share to Adjusted income (loss) per share, refer to “Non-IFRS Financial Measures” tables on page 8.

Revenues reached $17,538,476, an increase of $8,058,199, or 85%, when compared to the corresponding period of fiscal 2017. The increase is primarily due to a large expansion of the client base and an increase in number of units sold.

Gross profit reached $6,532,713, or 37% of revenue, the gross profit percentage increased by 21% when compared to the corresponding period of fiscal 2017.The increase is primarily due to expansion of the client base and an increase in number of units sold.

General and administrative expenses increased by $901,419 or 56%, when compared to the corresponding period of fiscal 2017. The increase is primarily due to an increase in administrative salaries of $532,050, an increase in travel costs of $87,248, as well as increased professional fees of $27,431, office expenses of $23,401 and telecommunication expenses of $34,821. These additional costs were incurred to support the Company’s growth.

Selling and distribution expenses increased by $533,250 or 29%, when compared to the corresponding period of fiscal 2017. The increase is primarily due to the higher number of sales personnel and consultants to support the growth of the Company.

Research and development expenses increased by $109,025 or 13%, when compared to the corresponding period of fiscal 2017. The increase is primarily due to the higher number of personnel and their corresponding additional costs of $290,557, partly offset by an increase in R&D tax credits of $83,599. These additional costs were incurred to support the R&D work on product enhancements as well as new prototypes.

Net finance expenses increased by $2,802 or 1%, when compared to the corresponding period of fiscal 2017. The increase is attributable to additional interest paid on Convertible notes issued in the second quarter of fiscal 2018.

Share based payments decreased by $102,940 or 12%, when compared to the corresponding period of fiscal 2017, due to timing of share issuance and stock option vesting dates. A decrease of $538,490 is related to the costs of the common share issuance that occurred in July 31, 2017, offset by a $435,550 net increase related to the cost associated with stock options being vested and granted during the period.

Net loss decreased to $263,864, a decrease of $3,551,769 when compared to the corresponding period of fiscal 2017. The decrease is primarily due to an increase in revenues and gross profit, offset by the increases in other operating costs noted above.

Financial Position

The following table provides an analysis of the Company's statement of financial position as at July 31, 2018 compared to October 31, 2017:

As at	July 31, 2018	October 31, 2017	Variance
Total Assets	**9,898,373**	**9,347,432**	**550,941**
Variance mainly due to:			
Trade and other receivables	2,461,256	3,064,555	(603,299)
Research and development tax credit receivable	497,700	421,300	76,400
Inventories	5,410,400	4,758,860	651,540
Deposits	316,630	122,831	193,799
Property and equipment	212,554	144,840	67,714
Total Liabilities	**8,531,908**	**8,358,093**	**173,815**
Variance mainly due to:			
Trade payables and accrued liabilities	4,336,583	3,629,402	707,181
Customer deposits	91,919	3,273,717	(3,181,798)
Convertible notes	2,575,000	-	2,575,000
Total Shareholders' Equity	**1,366,465**	**989,339**	**377,126**
Variance mainly due to:			
Stock option reserve	4,368,917	3,604,678	764,239
Currency Translation Adjustment	(430,570)	(307,321)	(123,249)
Deficit	(21,278,259)	(21,014,395)	(263,864)

Trade and other receivables decreased by $603,299 as at July 31, 2018 when compared to October 31, 2017 primarily relating to more favorable credit terms from sales made to customers near the nine month period ended July 31, 2018.

Research and development tax credits receivable increased by $76,400 as at July 31, 2018 when compared to October 31, 2017, representing the higher level of R&D work for additional prototypes and existing product enhancements, offset by collecting $259,000 refundable tax credits existing at October 31, 2017.

Inventories increased by $651,540 as at July 31, 2018 when compared to October 31, 2017 due to an increase in raw materials and component requirements resulting from increases in actual and projected sales orders.

Deposits increased by $193,799 as at July 31, 2018 when compared to October 31, 2017 due to increased prepayments made to suppliers.

Property and equipment increased by $67,714 as at July 31, 2018 when compared to October 31, 2017,primarily due to additions made to the computer equipment.

Trade payable and accrued liabilities increased by $707,181 as at July 31, 2018 when compared to October 31, 2017, primarily due to the increased production activity to meet additional revenue demands.

Customer deposits decreased by $3,181,798 as at July 31, 2018 when compared to October 31, 2017 resulting from fulfilling customer orders during the nine-month period ending July 31, 2018 relating to orders placed and deposits received prior to October 31, 2017.

Convertible notes increased by $2,575,000 as at July 31, 2018 when compared to October 31, 2017. On April 30, 2018, the Company issued $2,575,000 of convertible notes bearing interest at a rate of 12% per annum and maturing on April 30, 2021.

Stock option reserve increased by $764,239 as at July 31, 2018 when compared to October 31, 2017 due to charges related to stock options vesting.

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 cumulative translation adjustment of $430,570 is the effect of converting the financial statements back to Canadian dollars for financial statement presentation purposes.

The deficit increased by $263,864 as at July 31, 2018 when compared to October 31, 2017 due to the net loss incurred for the period 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 loans, 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 the nine-month period ended July 31, 2018 compared to the corresponding period of 2017 is presented below:

Nine-month period ended July 31,	2018	2017	Variance
Net cash used in operating activities	(2,401,943)	(2,887,126)	485,183
Net cash used in investing activities	(167,828)	(56,616)	(111,212)
Net cash from financing activities	2,634,296	2,940,563	(306,267)
Net change in cash	64,525	(3,179)	67,704
Net effect of foreign exchange rate changes on cash and cash equivalents	5,904	(26,061)	31,965
Cash, beginning of year	714,855	682,300	32,555
Cash, end of period	785,284	653,060	132,224

Net cash used in operating activities decreased by $485,183 when compared to the corresponding period of fiscal 2017. The decrease is primarily attributable to an increase in cash inflow from the reduction of the net loss of $3,551,769, offset by a decrease in cash inflow from customer deposits of $3,297,441.

Net cash used in investing activities increased by $111,212 when compared to the corresponding period in fiscal 2017 as a result of additions in fixed assets and intangible assets.

Net cash provided by financing decreased by $306,267 compared to fiscal 2017. The decrease is primarily caused by the issuances of common shares in fiscal 2017, which resulted in a decrease of $3,239,931, offset by an increase related to the issuance of $2,575,000 of convertible notes and an increase in bank indebtedness of $220,152.

Other cash considerations

Term Debt

The Company had a Term loan of $600,000 outstanding as at October 31, 2017, the loan was repaid in full on December 5, 2017. A new loan was secured in the amount of $447,000, bearing interest at 11.2%, compounded monthly, secured by a movable hypotec on the universality of movable property for an amount of $800,000.

Bank Indebtedness & Letters of guarantee

The Company has an available operating line of credit of $500,000, and a $1,000,000 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 $3,000,000 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 a revolving demand facility of $378,000 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 July 31, 2018, there was an amount of $850,000 ($629,848 at October 31, 2017) drawn under the facilities, and there were letters of guarantee denominated in U.S. dollars totaling $257,860 in Canadian dollar equivalent ($257,860 at October 31, 2017).

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 at October 31, 2017. The creditor has acknowledged, in writing, the default and the plan of the Company to remedy such default on or before October 31, 2018.

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 earnings (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.
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.

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 July 31, 2018:

	Carrying amount	Contractual Cash flows	Less than 1 year	2 to 5 years	More than 5 years
Bank indebtedness (1)	850,000	850,000	850,000	-	-
Accounts payable and accrued liabilities	4,336,583	4,336,583	4,336,583	-	-
Term debt(2)	447,000	447,000	447,000	-	-
Obligations under finance leases	13,905	13,905	11,039	2,866	-
Convertible notes(3)	2,575,000	2,575,000	-	2,575,000	-
Obligations under operating leases	-	1,076,186	196,410	694,411	185,365

(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 11.2% compounded monthly.
(3) On April 30, 2018, the Company issued $2,575,000 of convertible notes bearing interest at a rate of 12% per annum and maturing on April 30, 2021. In the event that the Company proceeds to effect a reverse takeover ("RTO") prior to December 31, 2018 (see subsequent event section of the MD&A), these notes are automatically convertible into securities as are issued to investors in connection with the RTO at a conversion price equal to the price paid for subscription receipts by investors.

Fair values

Financial assets and financial liabilities are measured on an ongoing basis at amortized cost. The disclosures in the "Financial instruments" section of the annual audited consolidated financial statements 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, term debt and convertible notes approximate their carrying values (level 2).

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 July 31, 2018, including the issuance of a shareholder loan 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.

Off-Balance Sheet Arrangements

The Company's off-balance sheet arrangements consist of obligations under operating leases. 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.

Trade payable and accrued liabilities at July 31, 2018 includes $57,000 ($255,000 at October 31, 2017) 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 three-month and nine-month periods ending July 31 are as follows:

	Three-month periods ended July 31	Nine-month periods ended July 31
	2018	2018
Short-term benefits	430,563	1,295,672
Share-based payments	329,156	691,566

Outstanding Share Data

At July 31, 2018, the Company has 479,697,387 common shares issued and outstanding, 240,000 warrants and 136,007,412 stock options outstanding convertible on a one-for one basis into common shares.

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 and goodwill are based on the locations of the assets.

The following table summarizes revenue by geography for the periods ended:

	Three-months ended July 31,		Nine-months ended July 31,	
	2018	**2017**	**2018**	2017
			$	$
Canada	**4,464,699**	2,189,314	**15,268,011**	7,808,815
United Arab Emirates	**510,180**	723,881	**2,270,465**	1,671,462
	4,974,879	2,913,195	**17,538,476**	9,480,277

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

	July 31, 2018	October 31, 2017
	$	$
Canada	**231,941**	127,169
United Arab Emirates	**22,525**	22,698
	254,466	149,867

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 preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of information were the same as those applied to the audited consolidated financial statements for the year ended October 31, 2017.

Change in significant accounting policies

Statement of compliance

The Company's interim condensed consolidated financial statements for the three-month and nine-month period ended July 31, 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting and using the same accounting policies as those described in the Company's annual consolidated financial statements for the year ended October 31, 2017. The Company's annual consolidated financial statements for the year ended October 31, 2017 were prepared in compliance with International Financial Reporting Standards (IFRS).

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.

Events after the reporting period

Issuance of Long-term debt

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 stock options

The Company granted 3,800,000 stock options to its employees and directors with a weighted average exercise price of $0.02 under terms of its stock option plan.

Increased line of credit

In September 2018, the Company's operating line of credit was temporarily increased by an additional $500,000.

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"