Management's Discussion and Analysis of

VOTI DETECTION INC.

(formerly Steamsand Capital Corp.)

For the three-month and six-month periods ended April 30, 2019

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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 April 30, 2019 and October 31, 2018 and operating results of VOTI Detection Inc. ("the Company" or "VOTI"), formerly Steamsand Capital Corp. ("Steamsand") up to the completion of the Amalgamation, as described in the "Reverse takeover transaction and private placement" section below, for the three-month and six-month periods ended April 30, 2019 and 2018. Based on the guidance of IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations, to identify the accounting acquirer for accounting purposes, it has been determined that Steamsand was the accounting acquiree and VOTI Inc. was the accounting acquirer since the shareholders of the former VOTI Inc. now control VOTI Detection Inc. The interim condensed consolidated financial statements are prepared as a continuation of the financial statements of VOTI Inc. As a result, information included herein is solely comparative to financial information of VOTI Inc. For simplicity, transactions undertaken by VOTI Inc. are referred to as being undertaken by the Company in this Management's Discussion and Analysis.

This MD&A was prepared as of June 12, 2019 with information available at this date. All references in this MD&A to Fiscal 2018 are to the Fiscal year ended October 31, 2018. This document should be read in conjunction with the audited annual financial statements of VOTI Inc. and notes thereto for the year ended October 31, 2018 and the interim condensed consolidated financial statements of VOTI Detection Inc. for the three-month and six-month periods ended April 30, 2019 and 2018. 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 income (loss)", "Adjusted (loss) earnings per share", "Post consolidated (loss) earnings per share" and "Post consolidated adjusted (loss) earnings 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 risks regarding the threat detection technology industry, failure to obtain regulatory approvals, economic factors, management's ability to manage and to operate the business of VOTI Detection, the equity markets generally and risks associated with growth and competition, in addition to other risks identified in publicly filed documents under VOTI's profile at www.sedar.com as well as other unknown risks. 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, and customer demand. 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, 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.*

Business Strategy

Company Overview

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 installed scanners in more than 50 countries and 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.

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.

On November 13, 2018, VOTI Inc. became a wholly owned subsidiary of VOTI Detection Inc. following the completion of its going public arm's length qualifying transaction by way of reverse takeover in accordance with the policies of the TSX Venture Exchange (the "RTO") (see "Reverse takeover transaction and private placement" section for additional details).

Key Business Strategies

VOTI’s primary underlying strategy is to bring cost-effective elite features and benefits (including analysis and enhanced detection capabilities) of top-tier x-ray screening at airports and seaports, to the conventional x-ray screening sector of the market, which remains the largest segment of the x-ray screening market. To this end, the Company has developed visionary products and cost-effective solutions that are disrupting the conventional x-ray security screening and detection market.

The Company intends to continue to expand its global footprint by growing market share as key verticals and geographies are added; leveraging its specialized sales force and building on its already established network of distributors specializing in the public and private security sectors; adding additional certifications that will open up new market opportunities; expanding through the delivery of software enhanced detection, algorithms and analytics; benefiting from a shift in revenue mix towards a greater percentage of higher margin aftermarket services; and through a strategic acquisition strategy focused on the eventual ability to offer a fuller checkpoint solution.

VOTI also intends on furthering the continuous improvement of its lean manufacturing processes and customer service delivery. The Company will continue to invest in research and development to maintain its competitive advantage.

Financial Outlook

With an increased global focus on safety and security resulting in growth in global x-ray screening market verticals, based on current market research, the global x-ray screening market, excluding China, is forecasted to grow at a 5.8% CAGR to reach US$2.65 billion by 2024.

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

- Critical Assets and Infrastructures – data centers and telecom installations; government buildings; energy infrastructure and public utilities; offices and corporate headquarters; metal refineries and mining sites

- Transportation – mass transit systems; airports (cargo); rail transit facilities; cruise ship terminals; logistics operations.

- Secured Perimeters and Buildings – schools and universities; justice and correction centers; police stations and military sites; events and attractions

- Ports and Borders – land checkpoints; seaports; customs
- Commercial, Manufacturing and Retail – warehouses; fulfillment and manufacturing facilities; retail locations.

Trends and Seasonality

Industry Trends

Despite the billions of dollars spent on R&D since the events of 9/11, x-ray screening systems remain the preferred choice and solution when it comes to non-intrusive inspection and optimal throughput.

With an increased global focus on safety and security resulting in growth in global x-ray screening market verticals, based on current market research, the global x-ray screening market, excluding China, is forecasted to grow at a 5.8% CAGR to reach US$2.65 billion by 2024.

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, dominated 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 main competitive advantage is its image quality. The Company's 3D Perspective™ technology along with its proprietary software, renders high resolution images that eliminate blind spots and enhance the operator's ability to better identify potential threats. In addition, VOTI's competitive edge includes ease of use, remote diagnostic and update capabilities, remote repair and maintenance, an attractive pricing strategy and analytics capabilities.

By developing visionary products and offering them at an attractive price point, VOTI is bringing cost-effective elite features and benefits (including analysis and enhanced detection capabilities) of top-tier x-ray screening at airports and seaports (dominated by the big four players in the market), to the conventional x-ray screening sector of the market, which remains the largest segment of the x-ray screening market.

Cyclicality

A significant portion of VOTI's clients are in the public sector. Government spending is driven by budgets and will impact the revenue stream. As such, VOTI revenues may be impacted in certain years by government budget cycles.

VOTI has a subsidiary in Dubai which services the Middle Eastern market. The Islamic holy month of Ramadan is observed by many and as a result, during this time period business negotiations can be slowed. Ramadan dates vary from year to year, but typically fall in the May – July period. This annual event can have an impact on VOTI revenues resulting in decreased revenues related to the Ramadan impact and increased revenues in the first and last quarter of the year when contract negotiations return to a more normal pace.

Financial Highlights

Highlights of the three-month period ended April 30, 2019

- Revenue for the second quarter F2019 totaled $8,501,138, compared to $4,163,634 in the second quarter F2018, an increase of $4,337,504 or 104%. The Company sold 201 units compared to 138 sold during the same period in Fiscal 2018. VOTI also registered several key customer wins in the quarter including orders from UPS, the Ministère de la Sécurité publique (MSP), the Washington Nationals, and a follow-on order from Canada Border Services Agency (CBSA).

- Gross profit increased to $2,931,524, or 34% of revenue, compared to $1,250,428 or 30% for the same period of Fiscal 2018. The gross margin increased by 4% compared to the same period of Fiscal 2018. The increase in gross margin is primarily the result of the sale of larger tunnel size units with higher margin.

- Net loss decreased to $120,168 compared to $647,867 for the same period of Fiscal 2018. The decrease of $527,699 is primarily related to the increase in gross profit and the change in fair value of warrants, partially offset by the increase of non-cash share-based payments and higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth.

- Adjusted net income increased to $39,567, compared to an adjusted net loss of $453,849 for the same period of Fiscal 2018.

- Adjusted EBITDA increased to $57,457, compared to ($399,482) for the same period of Fiscal 2018. The increase of $456,939 is primarily related to higher gross profit due to increased number of units sold and the sale of larger tunnel size units with higher margins, partially offset by higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth.

Highlights of the six-month period ended April 30, 2019

- Financial performance was in line with Company expectations and the Company is on target to achieve its previously disclosed guidance of 25% growth in revenues for the year.

- Revenue for the six-month period ending April 30, 2019 totaled $15,298,566, compared to $12,563,597 during the same period in Fiscal 2018, an increase of $2,734,969. Due to a delay in shipping, first quarter F2018 results include approximately $2.5 million of revenue that was initially expected to be recognized in the fourth quarter of F2017. Had these units been shipped and revenue recognized in F2017 as planned, first half F2019 revenues would have seen an approximate $5.2 million increase over the comparative period in F2018, reflecting a growth rate of 42%.

- The Company sold 346 security scanning units compared to 336 during the same period in Fiscal 2018. Shipments were made to a broad range of customers over a wide geographic base and included first time shipments to Carnival Cruise Line for 91 units at nine of the company's North American cruise ship ports. In addition, the Company completed shipments on a major order received from a repeat customer in Southeast Asia for 125 machines. This is the third year in a row that this customer is ordering additional machines from VOTI.

- Gross profit increased to $5,288,706, or 35% of revenue, compared to $4,707,320 or 37% for the same period in Fiscal 2018. The gross margin decrease resulted primarily from a higher mix of software and service revenue that generated higher gross margins in the comparative period in Fiscal 2018, partially offset by the sale of larger tunnel size units with higher margins in 2019.

- Net (loss) income decreased to ($1,763,871) compared to a net income of $798,167 for the same period of Fiscal 2018. The decrease of $2,562,038 is primarily related to the increase of non-cash share-based payments, reverse acquisition of Steamsand expenses, and higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth . This was partially offset by a higher gross profit, as well as a gain on revaluation of warrants. Due to a delay in shipping, the first quarter of Fiscal 2018 was also positively impacted by the previously detailed benefit of the inclusion of approximately $2.5 million in additional revenue that was initially expected to be recognized in the fourth quarter of Fiscal 2017.

- Adjusted net loss decreased to $675,567, compared to an adjusted net income of $1,186,065 for the same period of Fiscal 2018.

- Adjusted EBITDA decreased to ($486,587), compared to $1,367,492 for the same period of Fiscal 2018. The decrease of $1,854,079 is primarily related to higher costs related to increased number of personnel and consultants and marketing expenses to support the Company's growth, partially offset by higher gross profit.

- On November 9, 2018, Steamsand Capital Corp. ("Steamsand"), together with its wholly-owned subsidiary ("Subco"), entered into an amalgamation agreement with VOTI Inc. pursuant to which Subco would amalgamate with VOTI Inc. On November 13, 2018, the amalgamation was completed and Steamsand changed its name to VOTI Detection Inc. Details of the transaction can be found in the "Reverse takeover and private placement" section of this MD&A.

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:

	Three-month periods ended April 30,		Six-month periods ended April 30,	
	2019	2018	2019	2018
Revenue	8,501,138	4,163,634	15,298,566	12,563,597
Net (loss) income	(120,168)	(647,867)	(1,763,871)	798,167
Finance (income) expense (1)	(33,110)	34,822	102,333	144,281
Depreciation and amortization	51,000	19,545	86,647	37,146
EBITDA	(102,278)	(593,500)	(1,574,891)	979,594
Share based payments (2)	524,890	194,018	1,101,421	387,898
Change in fair value of warrants	(498,733)	-	(1,110,733)	-
Reverse acquisition of Steamsand (3)	-	-	964,038	-
Unusual and non-recurring items				
Severance (4)	65,420	-	65,420	-
Other items (5)	68,158	-	68,158	-
Adjusted EBITDA	57,457	(399,482)	(486,587)	1,367,492
Adjusted EBITDA margin (%)	1%	(10%)	(3%)	11%

(1) Finance expenses consist of interest and bank charges and foreign exchange gain and losses.

(2) Share based payments are made up of the issuance and vesting of VOTI Detection Inc. and VOTI Inc. stock options.

(3) The reverse acquisition of Steamsand expenses consist primarily of the consideration transferred to former Steamsand shareholders in excess of net assets acquired, as well as legal and professional service fees in connection with the RTO.

(4) Severance includes termination payments expense during the period.

(5) Other items include non-recurring professional fees.

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

Adjusted net income (loss) is defined as net income (loss) adjusted for share-based compensation expenses and 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 earnings (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 income (loss) per share are non-IFRS financial measures. Management believes that Adjusted net income (loss) and Adjusted 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) earnings to Adjusted net income (loss) earnings is as follows:

	Three-month periods ended April 30,		Six-month periods ended April 30,	
	2019	2018	2019	2018
Net income (loss)	(120,168)	(647,867)	(1,763,871)	798,167
Change in fair value of warrants	(498,733)	-	(1,110,733)	-
Share based payments (1)	524,890	194,018	1,101,421	387,898
Reverse acquisition of Steamsand (2)	-	-	964,038	-
Unusual and non-recurring items				
Severance (3)	65,420	-	65,420	-
Other items (4)	68,158	-	68,158	-
Adjusted net income (loss)	39,567	(453,849)	(675,567)	1,186,065

(1) Share based payments are made up of the issuance and vesting of VOTI Detection Inc. and VOTI Inc. stock options.

(2) The reverse acquisition of Steamsand expenses consist primarily of the consideration transferred to former Steamsand shareholders in excess of net assets acquired, as well as legal and professional service fees in connection with the RTO.

(3) Severance includes termination payments expense during the period.

(4) Other items include non-recurring professional fees.

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

	Three-month periods ended April 30,		Six-month periods ended April 30,	
	2019	2018	2019	2018
Basic and diluted (loss) earnings per share	(0.01)	(0.04)	(0.08)	0.05
Impact of adjustments to net (loss) income	0.01	0.01	0.05	0.03
Adjusted (loss) earnings per share	0.00	(0.03)	(0.03)	0.08

Post consolidated (loss) earnings per share and Post consolidated adjusted (loss) earnings per share

Post consolidated (loss) earnings per share is defined as net (loss) earnings divided by the basic weighted average number of common shares outstanding of VOTI Detection Inc. Post consolidated adjusted net (loss) earnings per share is defined as adjusted net (loss) earnings divided by the basic weighted average number of common shares outstanding of VOTI Detection Inc. For periods ending prior to November 13, 2018, the weighted average number of common shares is equal to 23,494,755, which represents the number of VOTI Detection Inc. common shares outstanding immediately following the Company's going public transaction after giving effect to the consolidation of shares, as described in the "Reverse takeover transaction and private placement" section. Post consolidated (loss) earnings per share and Post consolidated adjusted (loss) earnings per share are non-IFRS financial measures. Management believes that Post consolidated (loss) earnings per share and Post consolidated adjusted (loss) earnings per share are useful measures that can facilitate period-to-period comparisons as they reflect VOTI Detection Inc.'s shareholders' income or loss per share and adjusted income or loss per share.

The reconciliation of basic and diluted loss per share to Post consolidated loss (earnings) per share is as follows:

	Three-month periods ended April 30,		Six-month periods ended April 30,	
	2019	2018	2019	2018
Basic and diluted (loss) earnings per share	(0.01)	(0.04)	(0.08)	0.05
Impact of adjustments to weighted average common shares outstanding	-	0.01	-	(0.02)
Post consolidated (loss) earnings per share	(0.01)	(0.03)	(0.08)	0.03

The reconciliation of adjusted loss per share to Post consolidated adjusted loss (earnings) per share is as follows:

	Three-month periods ended April 30,		Six-month periods ended April 30,	
	2019	2018	2019	2018
Adjusted (loss) earnings per share	0.00	(0.03)	(0.03)	0.08
Impact of adjustments to weighted average common shares outstanding	-	0.01	-	(0.03)
Post consolidated (loss) earnings per share	0.00	(0.02)	(0.03)	0.05

Reverse takeover transaction and private placement

On November 9, 2018, Steamsand Capital Corp. ("Steamsand"), together with its wholly-owned subsidiary ("Subco"), entered into an amalgamation agreement with VOTI Inc. pursuant to which Subco would amalgamate with VOTI Inc. (the "Amalgamation") to complete the RTO. The Amalgamation was structured as a three-cornered amalgamation and, as a result, the amalgamated corporation was to become a wholly-owned subsidiary of Steamsand at the time of the completion of the Amalgamation.

On November 13, 2018, the Amalgamation was completed and Steamsand changed its name to VOTI Detection Inc. On November 19, 2018, the common shares of VOTI Detection Inc. began trading on the TSX Venture Exchange under the symbol "VOTI".

Pursuant to the terms of the Amalgamation Agreement, immediately prior to the completion of the RTO, the following occurred:

- All of VOTI Inc.'s outstanding stock options described in note 18 of the interim condensed consolidated financial statements were accelerated and exercised on a share appreciation basis for common shares of VOTI Inc.;
- VOTI Inc. cancelled all outstanding warrants
- VOTI Inc. consolidated its common shares on the basis of one common share for every 30.7015984573 common shares. This share consolidation has been reflected throughout these statements retroactively. Similarly, Steamsand consolidated its common shares on the basis of one post-consolidation Steamsand common share for every 18 Steamsand common shares existing before such consolidation;
- Each issued and outstanding VOTI Inc. common share was exchanged for one fully-paid and non-assessable VOTI Detection Inc. common share (on a post-VOTI Consolidation basis), for an aggregate issuance of 19,166,665 VOTI Detection Inc. common shares;
- The issued and outstanding VOTI Inc. convertible notes of $2,575,000 described in note 13 of the interim condensed consolidated financial statements were converted into 858,332 VOTI Detection Inc. common shares and 429,166 VOTI Detection Inc. warrants;
- Each post-consolidated Steamsand common share was exchanged for one fully-paid and non-assessable VOTI Detection Inc. common share, for an aggregate issuance of 388,767 VOTI Detection Inc. common shares; and
- Each issued and outstanding subscription receipt described in note 6 of the interim condensed consolidated financial statements was exchanged for one fully-paid and non-assessable VOTI Detection Inc. common share, for an aggregate issuance of 3,080,991 VOTI Detection Inc. common shares and 1,540,496 VOTI Detection Inc. warrants.

In connection with the RTO, the gross proceeds of the private placement described in note 6 of the interim condensed consolidated financial statements, net of certain issuance costs described in note 5 of the interim condensed consolidated financial statements, were released from escrow to the Company. The agent commission included cash and 144,238 VOTI Detection Inc. compensation options.

Each VOTI Detection Inc. warrant described above gives the holder an option to purchase one common share for $4.50 up to 36 months following November 13, 2018, and each compensation option gives the holder an option to purchase one common share for $3.00 up to 24 months following November 13, 2018.

Following the completion of the RTO, 23,494,755, 1,969,662 and 144,238 post-consolidation VOTI Detection Inc. common shares, warrants, and compensation options, respectively, of VOTI Detection Inc. were issued and outstanding. The former security holders of VOTI Inc. along with new subscription receipt holders own approximately 98.3% of the issued and outstanding post-consolidation common shares of VOTI Detection Inc.

Based on the guidance of IFRS 10, Consolidated Financial Statements, and IFRS 3, Business Combinations, to identify the accounting acquirer (refer to note 4) for accounting purposes, it has been determined that Steamsand was the accounting acquiree and VOTI Inc. was the accounting acquirer since the shareholders of the former VOTI Inc. now control VOTI Detection Inc. These interim condensed consolidated financial statements are prepared as a continuation of the financial statements of VOTI Inc., reflecting the equity instruments of Steamsand. As a result, information included herein is solely comparative to financial information of VOTI Inc. For simplicity, transactions undertaken by

VOTI Inc. are referred to as being undertaken by the Company throughout this Management's Discussion and Analysis.

Transaction fees related to the reverse takeover transaction and private placement totaled $2,030,467, of which $304,570 is presented within Reverse acquisition of Steamsand expenses and $1,725,897 within share capital during the first quarter of Fiscal 2019. In addition, consideration of 388,767 VOTI Detection Inc. common shares were transferred to former Steamsand shareholders in exchange for Steamsand's net assets. The excess of consideration transferred over the net assets acquired of $659,468 was recorded during the first quarter of Fiscal 2019 and presented within Reverse acquisition expenses.

Results of Operations

Three-month periods ended April 30, 2019 and 2018

The following table sets forth the major components of the Company's statement of loss and comprehensive loss for the three-month period ended April 30, 2019 compared to the corresponding period of 2018:

Three-month periods ended April 30,	2019	2018	Variance	Variance (%)
Revenue	8,501,138	4,163,634	4,337,504	104%
Cost of goods sold	5,569,614	2,913,206	2,656,408	91%
Gross profit	2,931,524	1,250,428	1,681,096	134%
Gross margin (2)	*34%*	*30%*	*4%*	N/A
General and administrative expenses	1,244,619	582,072	662,547	114%
Selling and Distribution expenses	1,599,183	695,045	904,138	130%
Research and development expenses	214,843	392,338	(177,495)	(45%)
Net financial (income) expenses	(33,110)	34,822	(67,932)	(195%)
Change in fair value of warrants	(498,733)	-	(498,733)	N/A
Share-based payments	524,890	194,018	330,872	171%
Net loss	(120,168)	(647,867)	527,699	81%
Basic and diluted earnings (loss) per share	(0.01)	(0.04)	0.03	N/A
Adjusted net (loss) income (3)	39,567	(453,849)	493,416	109%
Basic and diluted Adjusted (loss) earnings per share (3)	0.00	(0.03)	0.03	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" table.

Revenue for the second quarter F2019 totaled $8,501,138, compared to $4,163,634 in the second quarter F2018, an increase of $4,337,504 or 104%. The increase is primarily due to increased number of units sold and larger tunnel size units compared to the same period of Fiscal 2018. VOTI deployed 201 units in the quarter compared to 138 units during the same period of Fiscal 2018. VOTI also registered several key customer wins in the quarter including orders from UPS, the Ministère de la Sécurité publique (MSP), the Washington Nationals, and a follow-on order from the Canada Border Services Agency (CBSA).

Gross profit increased to $2,931,524, or 34% of revenue, compared to $1,250,428 or 30% for the same period of Fiscal 2018. The gross margin increased by 4% compared to the same period of Fiscal 2018. The increase in gross margin is primarily the result of the sale of larger tunnel size units with higher margin.

General and administrative expenses increased to $1,244,619, compared to $582,072 for the same period of Fiscal 2018. The increase of $662,547 is primarily due to increased number of employees and higher wages, as well as additional costs associated with being publicly listed and other costs incurred to support the Company's growth.

Selling and distribution expenses increased to $1,599,183, compared to $695,045 for the same period of Fiscal 2018. The increase of $904,138 is primarily due to the increased number of sales and customer support personnel and consultants as well as increased marketing expenses to support the Company's growth.

Research and development expenses decreased to $214,843, compared to $392,338 for the same period of Fiscal 2018. The decrease of $177,495 is primarily due to the capitalization of development costs in Fiscal 2018, offset by additional costs incurred to advance the Company's development plans.

Net financial expenses decreased to ($33,110), compared to $34,822 for the same period of Fiscal 2018. The decrease of $67,932 is primarily due to increased unrealized gain on foreign exchange, partially offset by increased interest charges in 2019 from increased borrowings.

Change in fair value of warrants increased to a $498,733 gain compared to nil for the same period of Fiscal 2018. The increase is due to a non-cash gain on re-measurement at fair value of the warrants at April 30, 2019.

Share-based payments increased to $524,890, compared to $194,018 for the same period of Fiscal 2018. The increase of $330,872 is primarily due to the stock options granted under the new Stock option plan ("Plan") established on November 13, 2018.

Net loss decreased to $120,168, compared to $647,867 for the same period of Fiscal 2018. The decrease of $527,699 in 2019 is primarily related to the increase in gross profit and the change in fair value of warrants, partially offset by the increase of non-cash share-based payments and higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth.

Six-month periods ended April 30, 2019 and 2018

The following table sets forth the major components of the Company's statement of (loss) income and comprehensive loss for the six-month period ended April 30, 2019 compared to the corresponding period of 2018:

Six-month periods ended April 30,	2019	2018	Variance	Variance (%)
Revenue	15,298,566	12,563,597	2,734,969	22%
Cost of goods sold	10,009,860	7,856,277	2,153,583	27%
Gross profit	5,288,706	4,707,320	581,386	12%
Gross margin (2)	*35%*	*37%*	*(2%)*	N/A
General and administrative expenses	2,646,168	1,308,078	1,338,090	102%
Selling and Distribution expenses	3,045,665	1,500,658	1,545,007	103%
Research and development expenses	303,685	568,238	(264,553)	(47%)
Net financial expenses	102,333	144,281	(41,948)	(29%)
Change in fair value of warrants	(1,110,733)	-	(1,110,733)	N/A
Share-based payments	1,101,421	387,898	713,523	184%
Reverse acquisition of Steamsand	964,038	-	964,038	N/A
Net income (loss)	(1,763,871)	798,167	(2,562,038)	(321%)
Basic and diluted earnings (loss) per share	(0.08)	0.05	(0.13)	N/A
Adjusted net (loss) income (3)	(675,567)	1,186,065	(1,861,632)	157%
Basic and diluted Adjusted (loss) earnings per share (3)	(0.03)	0.08	(0.11)	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" table.

Revenue for the six-month period ended April 30, 2019 totaled $15,298,566, compared to $12,563,597 for the same period of Fiscal 2018, an increase of $2,734,969. Due to a delay in shipping, first quarter F2018 results included approximately $2.5 million of revenue that was initially expected to be recognized in the fourth quarter of F2017. Had these units been shipped and revenue recognized in F2017 as planned, first half F2019 revenues would have seen an approximate $5.2 million increase over the comparative period in F2018, reflecting a growth rate of 42%.

VOTI added 346 units to its global footprint of units deployed. Shipments were made to a broad range of customers over a wide geographic base and included first time shipments to Carnival Cruise Line for 91 units at nine of the company's North American cruise ship ports. In addition, the Company completed shipments on a major order received from a repeat customer in Southeast Asia for 125 machines. This is the third year in a row that this customer is ordering additional machines from VOTI.

Gross profit increased to $5,288,706, or 35% of revenue, compared to $4,707,320 or 37% for the same period of Fiscal 2018. The gross margin decreased by 2% compared to the same period of Fiscal 2018. The gross margin decrease resulted primarily from a higher mix of software and service revenue that generated higher gross margins in the comparative period in Fiscal 2018, partially offset by the sale of larger tunnel size units with higher margins in 2019.

General and administrative expenses increased to $2,646,168, compared to $1,308,078 for the same period of Fiscal 2018. The increase of $1,338,090 is primarily due to increased number of employees and higher wages, as well as additional costs associated with being publicly listed and other costs incurred to support the Company's growth.

Selling and distribution expenses increased to $3,045,665, compared to $1,500,658 for the same period of Fiscal 2018. The increase of $1,545,007 is primarily due to the increased number of sales and customer support personnel and consultants as well as increased marketing expenses to support the Company's growth.

Research and development expenses decreased to $303,685, compared to $568,238 for the same period of Fiscal 2018. The decrease of $264,553 is primarily due to the capitalization of development costs, offset by additional costs incurred to advance the Company's development plans.

Net financial expenses decreased to $102,333, compared to $144,281 for the same period of Fiscal 2018. The decrease of $41,948 is primarily due to increased unrealized gain on foreign exchange, partially offset by increased interest charges in 2019 from increased borrowings.

Change in fair value of warrants increased to a $1,110,733 gain compared to nil for the same period of Fiscal 2018. The decrease is due to a non-cash gain on re-measurement at fair value of the warrants at April 30, 2019.

Share-based payments increased to $1,101,421, compared to $387,898 for the same period of Fiscal 2018. The increase of $713,523 is primarily due to the stock options granted under the new Stock option plan ("Plan") established on November 13, 2018.

Reverse acquisition of Steamsand expenses increased to $964,038, compared to nil for the same period of Fiscal 2018. (See "Reverse takeover and private placement" section for details).

Net (loss) income decreased to ($1,763,871), compared to net income of $798,167 for the same period of Fiscal 2018. The decrease of $2,562,038 in 2019 is primarily related to the increase of non-cash share-based payments, reverse acquisition of Steamsand expenses, and higher costs related to being publicly listed and an increased number of personnel and consultants to support the Company's growth. This was partially offset by a higher gross profit, as well as a gain on revaluation of warrants. Due to a delay in shipping, the first quarter of Fiscal 2018 was also positively impacted by the previously detailed benefit of the inclusion of approximately $2.5 million in additional revenue that was initially expected to be recognized in the fourth quarter of Fiscal 2017.

Financial Position

The following table provides an analysis of the Company's statement of financial position as at April 30, 2019 compared to October 31, 2018:

As at	April 30, 2019	October 31, 2018	Variance
Total Assets	**17,553,896**	**22,932,639**	**(5,378,743)**
Variance mainly due to:			
Cash	1,077,239	643,067	434,172
Restricted Cash	-	9,242,973	(9,242,973)
Trade and other receivables	6,994,955	2,228,594	4,766,361
Inventories	5,406,571	7,267,017	(1,860,446)
Capitalized listing fee expense	-	924,190	(924,190)
Intangible assets	1,914,969	424,705	1,490,264
Total Liabilities	**9,450,771**	**23,406,756**	**(13,955,985)**
Variance mainly due to:			
Bank Indebtedness	-	1,860,000	(1,860,000)
Trade payables and accrued liabilities	3,900,794	6,673,475	(2,772,681)
Subscription receipts held for investors	-	9,242,973	(9,242,973)
Customer deposits	1,522	194,098	(192,576)
Deferred revenue	2,679,529	290,476	2,389,053
Shareholder notes	-	2,020,734	(2,020,734)
Convertible notes	-	2,575,000	(2,575,000)
Warrants	718,926	-	718,926
Term debt	2,150,000	550,000	1,600,000
Total Shareholders' (Deficit) Equity	**8,103,125**	**(474,117)**	**8,577,242**
Variance mainly due to:			
Share capital	33,809,962	18,616,079	15,193,883
Stock option reserve	956,027	5,781,038	(4,825,011)
Deficit	(26,375,492)	(24,701,919)	(1,673,573)

Cash increased to $1,077,239 at April 30, 2019 compared to $643,067 at October 31, 2018. The increase is primarily due to the release of the restricted cash, as described below, as well as additional cash advanced through the Company's term debt, offset by the repayment of the Company's bank indebtedness, shareholder notes, term debt, and trade payables.

Restricted Cash and Subscription receipts held for investors decreased to nil at April 30, 2019 compared to $9,242,973 at October 31, 2018. Upon the completion of the RTO, each subscription receipt was exchanged into one common share of the issuer resulting from the RTO, namely VOTI Detection Inc. and one half of one VOTI Detection Inc. common share purchase warrant. The RTO was completed on November 13, 2018 (see the "Reverse takeover and private placement" section for details).

Trade and other receivables increased to $6,994,955 at April 30, 2019 compared to $2,228,594 at October 31, 2018. The increase of $4,766,361 is primarily due to increased sales in the second quarter of Fiscal 2019 compared to the same period of Fiscal 2018 as well as the timing of sales made near the end of the quarter.

Inventories decreased to $5,406,571 at April 30, 2019 compared to $7,267,017 at October 31, 2018. The decrease of $1,860,446 is primarily due to timing of raw material purchases.

Capitalized listing fee expense decreased to nil at April 30, 2019 compared to $924,190 at October 31, 2018. These costs were reclassified to Share capital and Reverse acquisition of Steamsand expenses immediately following the RTO transaction on November 13, 2018.

Intangible assets increased to $1,914,969 at April 30,2019, compared to $424,705 at October 31, 2018. The increase of $1,490,264 is primarily due to capitalized prototype development costs incurred during the six-month period ending April 30, 2019. In keeping with industry standard and Management's expectation of future economic benefits directly related to certain development activities, the Company began capitalizing those costs in Q4 2018.

Bank Indebtedness decreased to nil at April 30, 2019, compared to $1,860,000 at October 31, 2018. The Company repaid these facilities in their entirety during the six-month period ended April 30, 2019 (see the "Liquidity and Capital Resources" section for more details).

Trade payable and accrued liabilities decreased to $3,900,794 at April 30, 2019, compared to $6,673,475 at October 31, 2018. The decrease of $2,772,681 is primarily due payments made to suppliers following the RTO transaction.

Deferred revenue increased to $2,679,529 at April 30, 2019, compared to $290,476 at October 31, 2018. The increase is primarily due to increased extended warranty sales which will be recognized over the warranty period.

Shareholder loans decreased to nil at April 30, 2019, compared to $2,020,734 at October 31, 2018. The loans were repaid during the six-month period ended April 30, 2019.

Convertible notes decreased to nil at April 30, 2019, compared to $2,575,000 at October 31, 2018. 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. Subsequent to October 31, 2018, these notes were converted into 858,332 common shares and 429,166 warrants giving the holders an option to purchase one common share for $4.50 up to 36 months following November 13, 2018 (see "Reverse takeover and private placement" section for details).

Warrants increased to $718,926 at April 30, 2019, compared to nil at October 31, 2018. On November 13, 2018, and in connection with the Company's RTO transaction, in addition to being converted into common shares of the Company, the subscription receipts and convertibles notes were converted into warrants. These warrants are classified as financial liabilities at FVTPL at April 30, 2019.

Term debt increased to $2,150,000 at April 30, 2019, compared to $550,000 at October 31, 2018. The term debt outstanding at October 31, 2018 was repaid during the six-month period ended April 30, 2019. On January 8, 2019, the Company entered into a new revolving credit facility with Espresso Capital Ltd. which matures on June 30, 2022. The amount drawn at April 30, 2019 is $2,150,000 (See the "Liquidity and Capital Resources" section additional details).

Share capital increased to $33,809,962 at April 30, 2019, compared to $18,616,079 at October 31, 2018. The increase is due to the issuance of common shares related to the RTO transaction (see "Reverse takeover and private placement" section for details).

Stock option reserve decreased to $956,027 at April 30, 2019, compared to $5,781,038 at October 31, 2018. The decrease of $4,825,011 is due to the VOTI Inc. stock options being exercised on a share appreciation basis for common shares of VOTI Inc. (see the "Reverse takeover and private placement" section for details), offset by the issuance of new stock options under the Company's stock option plan.

Deficit increased to $26,375,492 at April 30, 2019, compared to $24,701,919 at October 31, 2018. The increase of $1,673,573 is primarily due to the net loss incurred for the six-month period ended April 30, 2019.

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 satisfy its obligations towards its customers and creditors, as well as 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 the six-month period ended April 30, 2019 compared to the corresponding period of 2018 is presented below:

Six-month period ended April 30,	2019	2018	Variance
Net cash (used in) from operating activities	(3,141,443)	303,261	(3,444,704)
Net cash used in investing activities	(1,619,090)	(168,395)	(1,450,695)
Net cash (used in) from financing activities	(4,103,572)	1,501,397	(5,604,969)
Net change in cash	(8,864,105)	1,636,263	(10,500,368)
Net effect of foreign exchange rate changes on cash	55,304	(125,705)	181,009
Cash and restricted cash, beginning of period	9,886,040	714,855	9,171,185
Cash, end of period	1,077,239	2,225,413	(1,148,174)

For the six-month period F2019, net cash used in operating activities increased by $3,444,704 when compared to the same period of F2018. The increase primarily resulted from the impact of a build up in accounts payable in F2018 prior to receiving the funds from the Company's successful going public transaction in November 2018. In the second quarter F2019, net cash used in operating activities of $505,979 resulted from an increase in accounts receivable, partially offset by a decrease in inventory.

Net cash used in investing activities increased by $1,450,695 when compared to the same period of Fiscal 2018 primarily resulting from additions to capitalized development costs.

Net cash used in financing activities increased by $5,596,877 compared to the same period of Fiscal 2018. The increase is primarily resulting from the repayment of bank indebtedness, shareholder loans and term debt, as well as share issuance cost related to the RTO transaction, partially offset by the proceeds from the new revolving credit facility with Espresso Capital Ltd.

Other Cash Considerations

Restricted cash and Subscription receipts held for investors

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 $9,242,973 less broker agent commission and issuance costs. The gross proceeds were held in trust until the RTO closed. Each subscription receipt was exchanged, upon completion of the RTO (see "Reverse takeover and private placement" section for details), into one VOTI Detection Inc. common share and one half of one VOTI Detection Inc. common share purchase warrant. The RTO was completed on November 13, 2018 and the gross proceeds less certain issuance costs were released to the Company (See the "Reverse takeover and private placement" section for more details).

Espresso Capital financing

On January 8, 2019, the Company entered into a revolving credit facility with Espresso Capital Ltd. which matures on June 30, 2022. The current authorized credit limit is $2,853,000 less any borrowings on this facility. Amounts drawn on this facility include a placement fee of 1.25% and bear interest at 15.25% per annum. The facility is secured by a $9,000,000 moveable hypothec on the universality of the Company's moveable property, subject to a first ranking security interest held by the creditor of the Company's bank indebtedness in note 12 of the financial statements. The amount drawn-down on the facility, as of June 12, 2019 is $2,150,000.

Term debt

The Company had a Debt facility with a balance of $550,000 outstanding as at October 31, 2018, bearing interest at 11.2% and was secured by a movable hypothec. This loan was repaid in full on January 11, 2019.

Bank indebtedness & letters of guarantee

The Company has an available revolving demand facility of $1,000,000 to cover 90% of operating expenses on future export contracts. Amounts drawn under these facilities bear interest at 4.5% above the bank's prime rate for Canadian currency and is repayable on demand. The amount drawn-down on the facility, as of June 12, 2019, is nil.

The Company also has an available revolving demand facility of $500,000 based on eligible accounts receivable. Amounts drawn under this facility bear interest at 4.5% above the bank's prime rate and is repayable on demand. This facility was temporarily increased to $1,000,000 between September 20, 2018 and December 1, 2018. The amount drawn-down on the facility, as of June 12, 2019 is nil.

As at April 30, 2019, no amount (October 31, 2018 - $1,860,000) was drawn under the facilities and there were letters of guarantee denominated in U.S. dollars totaling $257,860 in Canadian dollars equivalent.

The above facilities are secured by the following:

a) A deed of moveable hypothec representing all present and future obligations in the amount of $2,407,000, constituting a security interest on the universality of all present and future assets;

b) Insurance provided by Export Development Canada covering losses pertaining to specific accounts receivable naming the facility bank as beneficiary;

c) Aggregate borrowings outstanding under both facilities are guaranteed by Export Development Canada up to 75%, and bears interest at 4.4% of the amount guaranteed;

d) An assignment constituting a first charge on all inventory.

The Company also has a revolving demand facility of $378,000 by way of letters of guarantee in Canadian or American currency and is repayable on demand. The facility is secured by performance security guarantee issued by Export Development Canada for each letter of guarantee issued.

These facilities are reviewed periodically, and the Company must respect certain covenants and financial ratios associated with the facilities, including a maximum total liabilities to tangible net worth rate of 3:1. As of April 30, 2019, this ratio has been respected.

Convertible notes

On April 30, 2018, the Company issued $2,275,000 of convertible notes bearing interest at a rate of 12% per annum and maturing on April 30, 2021, of which $150,000 was issued to Directors and $2,125,000 to other existing shareholders. The Company issued an additional $300,000 of convertible notes to existing shareholders in July 2018. On November 13, 2018, and in connection with the RTO (see "Reverse takeover and private placement" section for details) these notes were converted into 858,332 common shares and 429,166 warrants giving the holders an option to purchase one common share for $4.50 up to 36 months following November 13, 2018.

Shareholder loans

During Fiscal 2018, the Company received loans from a shareholder in the amount of $1,979,695. The terms of the loan include a placement fee of 1.5% and interest at 12% per annum and is repayable on demand. The loan was repaid during the six-month period ending April 30, 2019.

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 earnings (loss) per share
April 30, 2019	8,501,138	(120,168)	(0.01)	39,567	0.00
January 31, 2019	6,797,428	(1,643,703)	(0.07)	(715,134)	(0.03)
October 31, 2018	5,468,376	(3,423,660)	(0.22)	(2,011,539)	(0.13)
July 31, 2018	4,974,879	(1,062,031)	(0.07)	(597,611)	(0.04)
April 30, 2018	4,163,634	(647,867)	(0.04)	(453,849)	(0.03)
January 31, 2018	8,399,963	1,446,034	0.09	1,639,914	0.11
October 31, 2017	8,982,694	1,351,953	0.10	1,428,905	0.11
July 31, 2017	2,913,195	(2,376,641)	(0.16)	(1,710,249)	(0.12)

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 Instruments and Risk Management

The Company is exposed to various financial risks through transactions in financial instruments. The following provides helpful information in assessing the extent of the Company's exposure to these risks:

Liquidity risk

Liquidity risk is the risk that a company cannot meet normal demands that include, but are not limited to, funding its obligations as they become due. The Company is subject to liquidity risk on its accounts payable which arise from its daily operations, bank indebtedness, and term debt. The Company mitigates this risk by reviewing liquidity resources to ensure funds are readily available to meet its financial obligations as they become due, 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 April 30, 2019:

	Carrying amount	Contractual Cash flows	Less than 1 year	2 to 5 years	More than 5 years
Trade accounts payable and accrued liabilities	3,900,794	3,900,794	3,900,794	-	-
Term debt (1)	2,150,000	2,150,000	-	2,150,000	-
Obligations under operating leases	-	1,538,018	389,099	1,148,919	-

(1) On January 8, 2019, the Company entered into a revolving credit facility with Espresso Capital Ltd. bearing interest at 15.25% per annum and maturing on June 30, 2022.

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, restricted cash, short-term investments, trade and other receivables, research and development tax credits receivable, bank indebtedness, trade payables and accrued liabilities, shareholder loans, term debt, long-term debt and convertible notes approximate their carrying values (level 2).

The warrants are classified as financial liabilities at FVTPL since they are denominated in a currency other than the Company's functional currency.

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 significant derivative contracts for the period ended April 30, 2019.

Additional Financing Requirements

For information regarding completed financing arrangements occurring during the quarter ended April 30, 2019, including the Company's going public transaction and concurrent private placement, refer to the "Reverse takeover transaction and private placement" section of this MD&A.

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.

See the "Liquidity and Capital Resources" section for shareholder loans information.

Key management personnel includes the Chief Executive Officer, Chief Financial Officer, Chief Operations and Production Officer, Chief Technology Officer and Executive Vice-Presidents who are members of the Management Committee.

The following table summarizes the remuneration payable to key management personnel included in accounts payable and accrued liabilities as at April 30, 2019 and October 31, 2018:

	2019	2018
	$	$
Trade payables and accrued liabilities	**172,596**	131,914

Compensation of directors and key management personnel

The remuneration of directors and other key management personnel during the three-month and six-month periods ending April 30 are as follows:

	Three-month periods ended April 30,		Six-month periods ended April 30,	
	2019	2018	**2019**	2018
	$		**$**	
Short-term benefits	**495,000**	396,547	**991,348**	810,472
Share-based payments	**386,458**	197,416	**838,709**	362,410

Outstanding Share Data

At April 30, 2019, the Company has 23,494,755 common shares issued and outstanding, as well as 1,969,662 warrants, 144,238 compensation options, and 2,010,000 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. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment non-current assets were based on the geographic location of the assets.

The following table summarizes revenue by geographic area for the three-month and six-month periods ending April 30:

	Three months ended April 30,		Six months ended April 30,	
	2019	2018	**2019**	2018
			%	%
Asia-Pacific	**45%**	**39%**	**38%**	69%
Europe, Middle East, and Africa	**11%**	**23%**	**9%**	16%
United States	**34%**	**16%**	**42%**	6%
Canada	**9%**	**21%**	**9%**	8%
Other	**1%**	**1%**	**2%**	1%
	100%	**100%**	**100%**	100%

The following table summarizes non-current assets information by geography as at April 30, 2019 and October 31, 2018:

	2019	2018
	$	$
Canada	**2,147,364**	696,159
Malaysia	**71,879**	73,952
United Arab Emirates	**50,153**	20,602
	2,269,396	790,713

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, 2018.

Changes in significant accounting policies

On November 1, 2018, the Company adopted the new rules under IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15"), which 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. The Company adopted this standard on a prospective basis and the conclusions of the analysis on the opening retained earnings as at November 1, 2018 demonstrate that the impact is not significant. Consequently, the adoption of IFRS 15 did not have an impact on opening retained earnings of the Company.

The Company generates revenue from the sale of X-ray security screening units, services and extended warranty. For the sale of security screening units, the Company recognizes revenue at a point in time when it transfers control of the finished goods to a customer, which generally occurs upon shipment of the finished goods from the Company's facilities. In certain arrangements, control is transferred and revenue is recognized upon delivery of the finished goods to the customer's premises.

Revenues from services such as hardware commissioning, preventive maintenance and training are recognized upon delivery of the service.

Revenues from extended warranty sales are recognized on a straight-line monthly basis over the term of the extended warranty.

Recent Accounting Pronouncements

Standards, interpretations and amendments issued but not yet effective;

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.

Events after the reporting period

On November 13, 2018, the Board of Directors adopted, as amended on March 22, 2019, a Deferred Share Unit Plan ("DSU Plan") and a Restricted Share Unit Plan ("RSU Plan"), both of which were approved by the Company's shareholders on April 30, 2019.

Deferred share unit plan ("DSU Plan")

The purpose of the DSU Plan is to assist the Company in the recruitment and retention of qualified persons to serve as Directors of the Company and to align the interests of eligible Directors with the long-term interests of the shareholders of the Company. A Deferred Share Unit ("DSU") is a notional unit credited by the Company to an eligible Director, to be exchanged for fully paid Common Shares or, at the option of the Company, for a cash payment equivalent to its fair market value when the eligible Director ceases to be a director of the Company.

The aggregate maximum number of Common Shares available for issuance from treasury pursuant to any security-based compensation arrangements of the Corporation, including the DSU Plan and the RSU Plan and excluding any shares issuable under the Stock Option Plan, is 450,000.

On May 1, 2019, the Company granted 173,908 DSUs to its Directors, of which 43,492 vested immediately and the remaining 130,416 will vest in equal tranches at the end of each of the following six quarters, with the result that all DSUs granted will be fully vested on October 31, 2020.

Restricted Share Unit Plan ("RSU Plan")

The purpose of the RSU Plan is to assist the Company in the motivation, attraction and retention of eligible employees, directors and consultants to advance the interests of the Company. RSUs granted to a Participant will entitle the Participant, subject to the satisfaction of any conditions attached to the grant, to receive a payment in fully paid Common Shares or, at the option of the Company, in cash on the date when the RSUs are fully vested.

The aggregate maximum number of Common Shares available for issuance from treasury pursuant to any security-based compensation arrangements of the Company, including the RSU Plan and the DSU Plan and excluding any share issuable under the Stock Option Plan, is 450,000.

No RSUs have been granted under the RSU Plan.

Formation of company advisory board

On June 3, 2019, VOTI announced the formation of an advisory board to build on the success of the Company and further its growth going forward. Joe Paresi and Kelly Hoggan, two highly respected and qualified industry experts, accepted to serve on the Company's Advisory Board. Their unique skills and exceptional knowledge of the security screening industry will play a pivotal role in both optimizing and creating new opportunities for the Company's growth on a global scale.

Joe Paresi is the Founder, Chairman and Chief Executive Officer of Integrated Defense and Security Solutions specialized in Computed Tomography (CT) X-ray screening. Mr. Paresi's technology has led to the TSA and the worldwide aviation market's plans to replace 5,000 airport x-ray scanners with CT technology. He is a long-time industry expert and is the Founder and former President of L3 Security and Detection Systems.

Kelly Hoggan is the Founder and Chief Executive Officer of H4 Solutions, a consultancy that advises clients in the transportation sector with particular expertise in aviation security and aviation operations. Mr. Hoggan served as Assistant Administrator for Screening Operations at the U.S. Transportation Security Administration (TSA) managing all security programs as well as serving as TSA's chief technical expert on airport screening technologies.

Business Risks

There have been no material changes to the risks factors as described under "Part I – Risk Factors" in the Company's Filing Statement dated November 5, 2018.

Disclosure controls and procedures and internal control over financial reporting

This is VOTI's first reporting period since the issuer has become a venture issuer and in contrast to the usual disclosures made under National Instrument 52-109 - ("NI 52-109"), Form 52-109F1 – IPO/RTO does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). Consequently, VOTI's CEO and CFO are not required to certify the design and evaluation of VOTI's DC&P and ICFR and has not completed such an evaluation. However, in accordance with the requirements of NI 52-109 VOTI's CEO and CFO have designed, or are in the process of designing under their supervision, DC&P and ICFR to provide reasonable assurance that material information required to be disclosed by VOTI under securities legislation, particularly during the period in which the filings are being prepared, is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to VOTI's management so that decisions can be made about timely disclosure of that information. Investors should be aware that inherent limitations on the ability of the CEO and CFO to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 in the first financial period following the issuer becoming a venture issuer may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.